

City of Fairfax, Virginia

**Comprehensive Annual Financial
Report for the Fiscal Year End
June 30, 2019**

CITY OF FAIRFAX, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2019

Prepared by

Department of Finance
David E. Hodgkins, Assistant City Manager/Director of Finance
Julie Moran, Assistant Director of Finance

CITY OF FAIRFAX, VIRGINIA

Comprehensive Annual Financial Report Year Ended June 30, 2019

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City of Fairfax, Virginia

10455 Armstrong Street • Fairfax, VA 22030-3630

November 30, 2019

Honorable Mayor, Members of the City Council and Citizens
City of Fairfax
Commonwealth of Virginia

We are pleased to present the City of Fairfax's (the City) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2019. The Code of the Commonwealth of Virginia requires that all local governments shall be audited annually with a report to the Governing Body. The CAFR fulfills this reporting requirement.

The financial statements included in this report, which have earned an unmodified ("clean") audit opinion, conform to the standards of financial reporting as prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), and the Auditor of Public Accounts (APA).

City management is responsible for the accuracy, fairness and completeness of the information, including all disclosures that are presented in this report. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds of the City. All necessary disclosures have been included to enable the reader to gain a thorough understanding of the City's financial affairs.

City management is also responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft or misuse and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by City management; and evaluating the overall financial statement presentation. The independent auditor's report is located at the front of the Financial Section of the CAFR.

Management's Discussion and Analysis (MD&A) is found immediately following the independent auditor's report. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

FINANCIAL REPORTING ENTITY

This report includes the financial activities of the City government (the Primary Government), which are controlled by the Mayor and Council, as well as the financial activities of the City's component units. Component units are legally separate entities for which the primary government is financially accountable and, therefore, are included in the Primary Government's CAFR.

The City provides a full range of governmental services including law enforcement, emergency medical response, fire protection and fire code safety; maintenance of over 70 miles of roads; judicial services; health and social services; refuse; wastewater; planning and zoning services; parks, recreation and cultural activities; and general government administration services. These services are either provided by the City or through contracts with Fairfax County. In addition, the City provides inter-County and intra-City bus service. The City also operated its own water treatment and distribution system until January 2014, when the City sold its distribution system to Fairfax County Water Authority and its water treatment plant, reservoir, and dams to Loudoun County Water Authority, effectively divesting from the water treatment and distribution business.

Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The City of Fairfax School Board is presented in its own column for financial presentation purposes as a major component unit. The City's public school program is provided through an independent school district administered by a school board and superintendent that contracts with the Fairfax County Public School system for operating the four City schools - Fairfax High, Sidney Lanier Middle, Daniels Run Elementary, and Providence Elementary. The Industrial Development Authority and Economic Development Authority are combined in one column as non-major component units.

ORGANIZATION OF GOVERNMENT

The City is governed under the Council-Manager form of government since changing from Town status in 1961. As a Virginia City, it is independent, and not a part of any county. Under this form of government, a Mayor and six Council members are elected by the citizens every two years to provide direction to the locality. The City Council employs a City Manager who is the executive officer of the City and is responsible to the Council for the proper administration of the City government.

ECONOMIC CONDITION AND OUTLOOK

An independent jurisdiction of 6.34 square miles, just 15 miles west of Washington D.C., the City lies in the heart of Northern Virginia. Bounded by Interstate 66 to the north and less than five miles west of the Capital Beltway, the City is at the crossroads of the area's major north/south and east/west highways. Two major airports, Washington Dulles International Airport and Ronald Reagan National Airport, are within 30 minutes of the City. The City-run bus system provides direct access to rail mass transit at the Vienna/Fairfax/GMU Metro station, less than three miles from the center of the City.

Local Economy

The City's economy remains healthy and stable. According to the US Bureau of Labor Statistics, the City of Fairfax was home to over 19,900 jobs in 2019. Concurrently, the City's unemployment rate fell for ninth straight year, and currently stands at an estimated 2.1%, well below state (2.7%) and national (3.6%) averages.

With 4.6 million square feet of office space, the City remains one of Northern Virginia's employment hubs. The City's office market currently has an 11.4% vacancy rate, lower than that of Fairfax County and of Northern Virginia as a whole. The retail market remains healthy, with a vacancy rate of only 5.7%.

Four key revenue sources are bellwethers for the local economy - general property taxes, local sales and use taxes, business license taxes and meals tax. A 2.4% increase in the calendar year 2019 real property assessments accounts for an increase in general property tax revenues of \$0.8 million or 1.0% in F/Y 19 over F/Y 18. Local sales and use tax increased slightly by \$0.1 million or 1.0%. Business license taxes and meals tax both increased nearly 7.0% in F/Y 19 over F/Y 18.

Economic Development Program

The Office of Economic Development (OED) in partnership with the Economic Development Authority (EDA) focuses on developing a strong economic base across the entire City. The OED promotes the City's office and retail spaces to business prospects and vacant commercial properties to developers, assists businesses in their location decisions and processing through the City's administrative procedures, and acts as a facilitator for existing businesses in understanding and working through issues with City rules, regulations, and policies.

The City Council remains the driving force behind increased outreach and communication with the business community. Recognizing the significant impact small businesses have on the City's economy, City leadership authorized the addition of a full time Assistant Director of Economic Development in charge of overseeing business programs, and formalized a component role of the Economic Development Office as that of a business ombudsman, or liaison with the business community.

Concurrently, the City's OED has been coordinating with the EDA to grow the EDA programming and portfolio. This has included various approaches to place-based economic development and coordination with internal departments in the advancement of programs and services. This also includes a renewal of the City's commitment to small business/ entrepreneurship development; during this last year the City has provided increased support and oversight of the Mason Enterprise Center – Fairfax, enabling the program to operate more efficiently with impactful programming and a strategic approach to business attraction and relocation within the City through the expanded City Connected Grant program. At the request of the Director of Economic Development, the EDA and the MEC refocused the MEC Director position to incorporate a strategic plan which now includes high level conversations with the University regarding the next phases of the MEC.

In previous years the City's OED, in partnership with the EDA, worked to establish a tax incentive zone with a focus on attracting technology based businesses within the City. The City has been relying on this tool as a method of business attraction and is currently investigating ways of expanding this program within the technology field and beyond. A similar ordinance targeting cultural arts and entertainment businesses is anticipated to be introduced in the coming year.

The OED and EDA have also partnered together on a number of initiatives seeking to expand the City's profile to out-of-city visitors and shoppers. Early in 2018 Fairfax City hosted its first revitalized Restaurant Week program. The OED and EDA, along with partners at the Central Fairfax Chamber of Commerce, hosted the expanded 2019 Restaurant Week program this past March and are now developing a holistic hospitality capacity building program which will include Restaurant Week for 2020.

The OED and EDA are currently playing an active role in attracting new businesses and developing multifaceted strategies to contribute to the thoughtful planning of our new commercial centers. Both economic development entities are playing a central role in the development and implementation of the City's Small Area Plan program in conjunction with the Department of Community Development and Planning. Through collaboration with tenant representatives, the OED and EDA continue attracting dynamic businesses to our numerous commercial cores to begin growing the City's commercial tax base.

In 2019 the EDA led efforts, with the support of OED, to oversee the leasing and redevelopment agreements between a restaurant operator for the demolition and construction of the Park View property, owned by the EDA. This new project, at no expense to taxpayers, will take advantage of the property's location overlooking the City's Old Town Park, to establish a new dining destination within the City and the region.

The OED has also partnered with 9 other local jurisdictions in the creation of the Northern Virginia Economic Development Alliance (NoVA EDA). The Alliance allows the jurisdictions to collaborate and market the localities together to strengthen and highlight the region nationally and internationally.

Major Projects

The City continues to attract significant investment in commercial and residential redevelopment.

Commercial:

Major development projects are currently in process, and aim to fulfill the goals advocated in the City's Comprehensive Plan:

Scout on the Circle: Final plans to redevelop a 108,000 square foot former shopping center (dating to 1964) were approved in 2014. The mixed-use development will include 392 apartments and 88,000 square feet of retail space, including a 54,000 square foot grocery store. Giant Food signed as the anchor tenant. Construction on the project began in February 2018 and will begin opening in phases starting in the spring of 2020.

Fairfax Gateway: A 403-unit apartment building with approximately 21,200 square feet of commercial space is approved and site work is underway for a former industrial site in the Kamp Washington area.

Point 50: Project was approved by City Council in July 2017 to redevelop an aging shopping center. The redeveloped shopping center will include 48,000 square feet of commercial space. 30,000 square feet would be leased to a Whole Foods 365 grocery with the remainder leased to various retailers and restaurateurs. Construction commenced in June 2019 with the grocery store expected to open in the spring of 2020.

Paul VI: The approved redevelopment plan for the Paul VI Catholic High School site retains 24,000 square feet of existing school building as commercial/community space and redevelops the remainder of the property. The project includes an additional 20,000 square feet of commercial space and 266 dwelling units (144 condominiums, 115 townhomes, and 7 single-family homes). Groundbreaking is expected in 2020 following the relocation of the existing high school operation.

Residential:

Capstone Collegiate: The project includes the redevelopment of a 1970's-era low-rise office building site into a 275-unit privately-owned student housing complex. The site, located to the north of the City's downtown, is approximately one mile from the campus of George Mason University. The units would be marketed to graduate and undergraduate students at the university. The project was approved by the City Council in December 2018 and construction is expected to begin in early 2020.

Mount Vineyard: This project included 132 dwelling units (94 condominiums and 38 townhouses) replacing an aged garden style apartment complex. Mount Vineyard was completed in November 2018.

FINANCIAL CONDITION

The total taxable assessed value of residential and commercial real property increased by 2.4% over the prior year. The real estate tax rate went up 1.5 cents to \$1.075, and the commercial and industrial real estate tax rate increased 1.0 cent to 12.5 cents. School tuition costs of \$48.9 million were 3.0% higher in F/Y 19.

The gross cost for school tuition was lower than budget by \$0.4 million. The actual average daily membership (ADM), which is the population of City students in the Fairfax County Public School (FCPS) System, dropped in F/Y 19 to 3,004 from 3,079 in F/Y 18. An ADM of 3,076 was budgeted in F/Y 19.

In order to fully fund existing programs, to keep salaries of public employees competitive, and to address the expanding program needs of the community, careful budgeting is required. The City strives to keep overall operating costs flat; however, in F/Y 19 the City provided a merit increase of up to 3.5% for eligible employees to remain competitive with surrounding jurisdictions. No cost of living adjustment (COLA) was provided in F/Y 19.

The City took advantage of continued low interest rates to finance a capital lease and refinance a VRA utility bond in F/Y 19. Wastewater rates increased 10.0% due to costs relating to the City's share of Fairfax County wastewater plant capital improvements (the Noman Cole Plant, where the City's wastewater is treated). Water rates are set by Fairfax Water.

The City's outstanding debt continues to decline. Though the City uses debt financing in addition to the "pay-as-you-go" approach to fund certain capital projects, the City's net direct debt to tax base ratio decreased to 1.19% at June 30, 2019 from 1.26% at June 30, 2018. The City's net direct debt to tax base ratio has declined for the ninth consecutive year.

The following table on the next page shows the assessed value of residential and commercial properties has more than doubled since 2002 including a 2.4% increase from 2018 to 2019. Real property taxes, which are based on assessments as of January 1st of each year, are due in two payments. The first six months of real estate tax is due on June 21st and the second half on December 5th.

Tax Year	Residential Assessed Value	Residential % Increase (Decrease)	Industrial / Commercial Assessed Value	Industrial / Commercial % Increase (Decrease)	Total Taxable Assessed Value	Total % Increase (Decrease)
2002	\$ 1,756,005,200	17.6	\$ 1,103,310,900	10.9	\$ 2,859,316,100	14.9
2003	2,111,088,700	20.2	1,206,961,700	9.4	3,318,050,400	16.0
2004	2,439,123,400	15.5	1,314,291,800	8.9	3,753,415,200	13.1
2005	3,063,115,200	25.6	1,382,126,100	5.2	4,445,241,300	18.4
2006	3,817,504,900	24.6	1,626,385,700	17.7	5,443,890,600	22.5
2007	3,723,667,700	(2.5)	1,884,634,000	15.9	5,608,301,700	3.0
2008	3,475,794,600	(6.7)	2,161,997,400	14.7	5,637,792,000	0.5
2009	3,182,468,200	(8.4)	2,177,141,900	0.7	5,359,610,100	(4.9)
2010	3,013,912,200	(5.3)	1,968,035,100	(9.6)	4,981,947,300	(7.0)
2011	3,123,099,700	3.6	1,954,294,800	(0.7)	5,077,394,500	1.9
2012	3,195,889,977	2.3	2,025,966,286	3.7	5,221,856,263	2.8
2013	3,266,638,900	2.2	2,073,994,400	2.4	5,340,633,300	2.3
2014	3,463,135,200	6.0	2,085,815,600	0.6	5,548,950,800	3.9
2015	3,624,478,000	4.7	2,068,542,000	(0.8)	5,693,020,000	2.6
2016	3,738,914,500	3.2	2,113,115,000	2.2	5,852,029,500	2.8
2017	3,822,160,300	2.2	2,119,723,700	0.3	5,941,884,000	1.5
2018	3,967,151,300	3.8	2,127,875,000	0.4	6,095,026,300	2.6
2019	4,044,043,800	1.9	2,195,140,900	3.2	6,239,184,700	2.4

BOND RATING

The City's bond ratings are as follows:

	<u>Moody's Investors Service</u>	<u>Standard & Poor's</u>
General Obligation Bonds	Aaa	AAA

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS

The budget process begins in the fall. City Council sets guidelines for the budget, usually in November. These guidelines provide the framework for developing the new budget. Operating budget requests from departments and City offices are reviewed and evaluated for priority and, based on estimated revenues, funding is requested by the City Manager in support of those programs, services and projects. Revenue estimates are derived from a review of current and projected economic indicators, current and proposed federal and state legislation, knowledge of future planned events in the City, review of historic trends and many other factors. By law, local government budgets must be balanced; i.e., current expenditures may not exceed current revenues and appropriated fund balance.

The Capital Improvement Program (CIP) follows a similar process whereby departments submit requests, which are evaluated for priority and funding. The initial proposed CIP is issued in November and forwarded to the City Council and Planning Commission for joint discussion. The Planning Commission then holds a public hearing on the CIP and provides recommendations to the City Council. The City Council holds at least one public hearing on the CIP and defers action until adoption of the operating and capital budgets in April or May. The City Manager refines the initial proposed CIP based on an evaluation of operating funding requests and available resources.

A capital budget (year one of the proposed CIP) is included in the operating budget. The capital budget and operating budget together become the proposed budget.

The City Council reviews the proposed budget and holds a series of public hearings, work sessions, and outreach meetings to provide the public with an opportunity to comment, ensuring that the budget is responsive to the citizens' needs. After careful deliberation, the proposed budget, as modified for additions and deletions, is adopted by City Council.

As a management tool, budgetary control is maintained at the department level requiring the encumbrance of funds, which generates vendor purchase orders. In addition, revenues and expenditures are monitored throughout the year, enabling the City to measure actual income and expenses against those projected in the budget.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The GFOA awarded the City a Certificate of Achievement for Excellence in Financial Reporting for the City's CAFR for the 38th consecutive year. GFOA awards a certificate to governmental units that exemplify excellence in financial reporting and conform to the stringent reporting requirements promulgated by that association and various other authoritative bodies.

To earn a Certificate of Achievement a CAFR must tell its financial story clearly, thoroughly, and understandably. The report must be efficiently organized, employ certain standardized terminology and formatting conventions, minimize ambiguities and potentials for misleading inference, enhance understanding of current generally accepted accounting theory, and demonstrate a constructive "spirit of full disclosure".

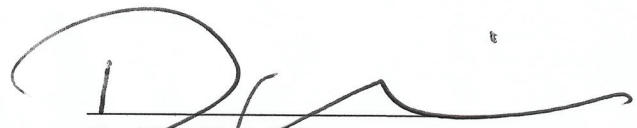
A Certificate is valid for a period of only one year. The City believes its current report continues to conform to the Certificate of Achievement Program requirements and standards, and is submitting it to the GFOA to determine its eligibility for another certificate for the 2019 fiscal year.

ACKNOWLEDGMENTS

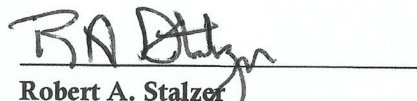
We wish to express our appreciation to the staff of the Department of Finance. Their efficient and dedicated service assisted in the preparation of this report.

We would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



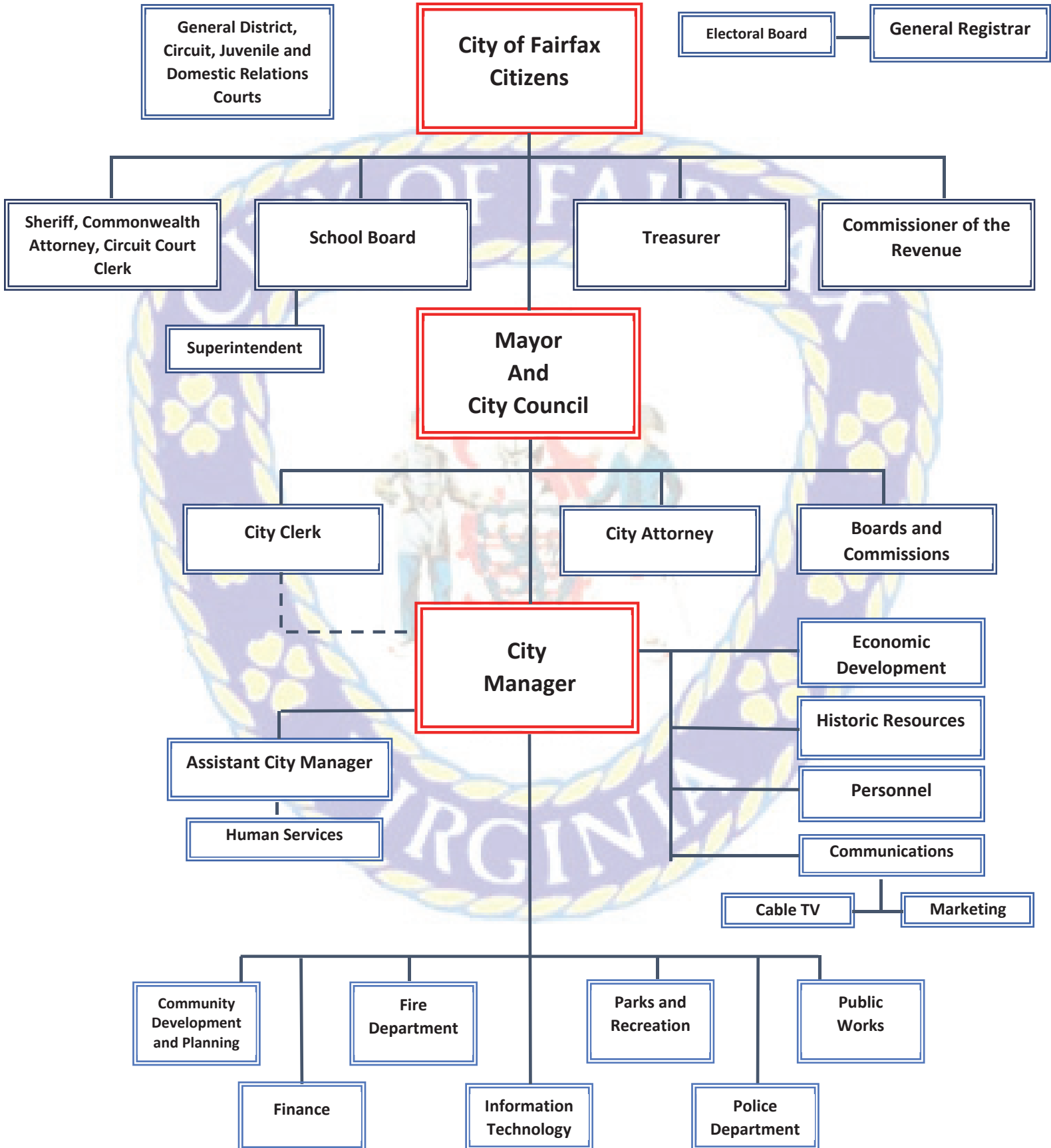
David E. Hodgkins
Assistant City Manager / Director of Finance



Robert A. Stalzer
City Manager

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City of Fairfax, Virginia Organizational Chart



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CITY OF FAIRFAX, VIRGINIA
PRINCIPAL OFFICIALS
June 30, 2019

CITY COUNCIL¹

David L. Meyer, Mayor

Michael. J. DeMarco
So P. Lim
Sang H. Yi

Janice M. Miller
Jennifer E. Passey
Jon R. Stehle, Jr.

STAFF

Robert A. Stalzer City Manager²
David E. Hodgkins Assistant City Manager/Director of Finance
William Page Johnson II Commissioner of Revenue³
Tom Scibilia Treasurer³
John O’Neal Fire Chief
Erin Schaible Chief of Police⁴
Brooke Hardin Director of Community Development and Planning
Mark Perry Director of Information Technology
David Summers Director of Public Works
Catherine Salgado Director of Parks and Recreation
Sara Greer Personnel Director
Christine Johnston Acting Real Estate Assessor⁵
Melanie Crowder City Clerk
Brenda Cabrera General Registrar
Phyllis Pajardo City School Superintendent

ADVISORS

Brian J. Lubkeman City Attorney
Robinson, Farmer, Cox Associates Independent Auditors

¹ Elected by City voters to 2-year terms. Current terms expire June 30, 2020.

² City Manager since January 2019.

³ Elected by City voters to 4-year terms. Current terms expire December 31, 2021.

⁴ Chief of Police since February 2019.

⁵ Acting Real Estate Assessor since December 2018.

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Fairfax
Virginia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

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Independent Auditors' Report

**To the Honorable Members of
the City Council
City of Fairfax, Virginia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Fairfax's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2019, the City of Fairfax adopted new accounting guidance, GASB Statement 88 *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements* and early implemented GASB No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. Our opinion is not modified with respect to this matter.

Restatement of Beginning Balances

As described in Note 22 to the financial statements, in 2019, the City of Fairfax restated beginning balances to restate deferred charge on refunding, premium on bonds payable, and deferred revenue. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules related to pension and OPEB funding on pages 19-29 and 122-150 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fairfax, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Supplementary and Other Information: (Continued)

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2019, on our consideration of the City of Fairfax, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Fairfax, Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Fairfax, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
November 20, 2019

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CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

This section of the City of Fairfax, Virginia's ("City") Comprehensive Annual Financial Report (CAFR), the Management's Discussion and Analysis (MD&A), provides an overview of the City's financial activities and performance for the fiscal year ended June 30, 2019. Users of these financial statements are encouraged to consider the information presented here in conjunction with the City's basic financial statements and the information furnished in our letter of transmittal, which can be found in the introductory section.

HIGHLIGHTS OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Primary Government's assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$87.1 million (net position) at the close of the fiscal year ("F/Y") June 30, 2019, an increase of \$17.9 million from F/Y 18. The Primary Government includes both governmental and business-type activities.

- A combination of a 2.4% increase in real property assessments, a \$2.0 million increase in grants and contributions, a \$0.5 million increase in use of money and property, a \$6.6 million decrease in general public works expenses and a \$1.5 million saving in general government expenses accounted for the majority of the increase in governmental net position. Refer to Tables 1 and 2 for more information.
- The Component Unit School Board had a decrease in its net position of \$2.0 million during the F/Y as expenses outpaced revenues, different methodology used and capital assets reallocated between Primary Government and School Board. More capital assets were allocated to Primary Government. Overall education costs increased by \$0.3 million from F/Y 18.
- At the end of June 30, 2019, the City's governmental, business-type, and Component Unit School Board activities had invested \$214.8, \$33.1, \$20.2 million, net of accumulated depreciation, respectively, in capital assets. Refer to Table 4 for more information.
- The City's total governmental outstanding long-term debt at F/Y end was \$134.1 million, a decrease of \$3.3 million, driven mainly by debt retirement during the normal course of business. Total enterprise outstanding long-term debt increased slightly by \$0.1 million, due to the refinancing of a VRA utility bond. Refer to the Outstanding Debt Table (Table 5) in this section or Note 7 under the Notes to the Financial Statements section of this report for additional information.

CITY OF FAIRFAX, VIRGINIA

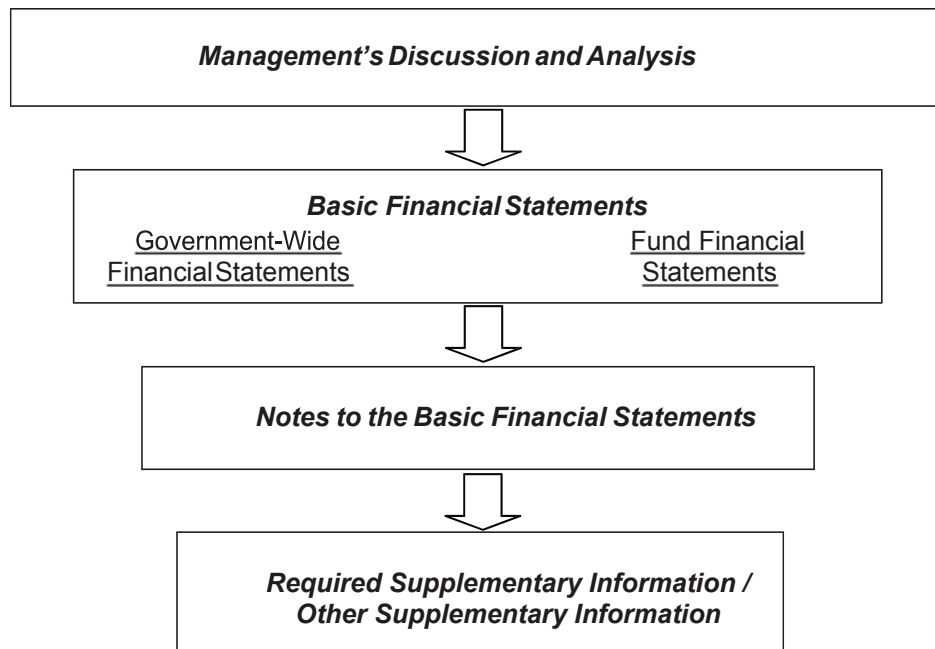
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

USING THE FINANCIAL SECTION OF THE ANNUAL REPORT

- This Comprehensive Annual Financial Report is presented in four sections: introductory, financial, statistical, and compliance. The financial section is further broken down as displayed in the chart below.

COMPONENTS OF THE FINANCIAL SECTION



GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by most private-sector companies. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. One of the most important questions that could be asked about the City's financial position is: "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which are the government-wide statements, report information about the City as a whole and about its activities in a way to address this question. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in it. One can think of the City's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or declining. Other non-financial factors will need to be considered, for example, changes in the City's property tax base and the condition of the City's facilities, to assess the overall health of the City.

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

In the Statement of Net Position and the Statement of Activities, we divide the City into the following:

Governmental Activities – Most of the City's basic services are reported here: General Government, Judicial Administration, Public Safety, Public Works, Health and Social Services, Parks, Recreation and Cultural, and Planning and Community Development. Property taxes, other local taxes, and state and federal aid finance most of these activities.

Business-type Activities – The City's Wastewater System and the City's Transit System are reported here. The City charges a fee to customers to cover all of the cost of waste-water services. In the past, a significant portion of the Transit System had been subsidized by the City, but in the last four fiscal years, the City has used "30%" state funds to subsidize its Transit operations.

Component Units – The City includes three legal entities as Component Units in its report – the School Board, the Industrial Development Authority, and the Economic Development Authority. The School Board is presented as a separate column while the others are combined as non-major component units for presentation purposes. These legally separate "component units" are each important because the City is financially accountable for them, and provides a significant portion of their operating and capital funding.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more information about the City's most significant funds – not the City as a whole. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The City has three types of funds:

Governmental Funds – This fund type includes most of the City's basic services, and focuses on (1) how cash and other financial assets that are readily converted to cash, flow in and out, and (2) on the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary Funds – This fund type includes services for which the City charges customers a fee, and the fee is to support the majority, if not all, of the cost. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

Fiduciary Funds – This fund type accounts for assets held by the City in a trustee capacity and consists of pension trust funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and other information related to its pension plans. Required supplementary information immediately follows the notes to the financial statements.

The combining statements in connection with non-major funds and component units are presented immediately following the required supplementary information on pensions.

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

This section of the MD&A covers the Government-wide Financial Statements (Tables 1 and 2), which can also be found in the Basic Financial Statements section of the CAFR.

Statement of Net Position

The table on the next page presents the condensed Statement of Net Position of the Primary Government and the School Board Component Unit in a comparative format:

Table 1
Summary of Statement of Net Position
June 30, 2019 and 2018
(in millions)*

	Primary Government						Major Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2019	2018	2019	2018	2019	2018	2019	2018
Assets:								
Current and other assets	\$99.1	\$97.8	\$10.2	\$11.2	\$109.3	\$109.0	\$1.4	\$1.4
Capital assets, net	\$214.8	\$204.0	\$33.1	\$29.7	\$247.9	\$233.7	\$20.2	\$22.1
Total Assets	\$313.9	\$301.8	\$43.3	\$40.9	\$357.2	\$342.7	\$21.6	\$23.5
Deferred outflows of resources	\$27.6	\$27.0	\$1.4	\$0.6	\$29.0	\$27.6	-	-
Liabilities:								
Current and other liabilities	\$25.4	\$26.8	\$4.0	\$4.2	\$29.4	\$31.1	\$0.8	\$0.8
Long-term liabilities	\$201.1	\$194.8	\$26.0	\$25.4	\$227.1	\$220.2	\$0.2	\$0.2
Total Liabilities	\$226.5	\$221.6	\$30.0	\$29.6	\$256.5	\$251.3	\$1.0	\$1.0
Deferred inflows of resources	\$42.2	\$48.0	\$0.3	\$0.5	\$42.5	\$48.5	-	-
Net Position:								
Net investment in capital assets	\$110.6	\$92.8	\$12.9	\$14.8	\$123.6	\$107.6	\$20.2	\$22.1
Restricted	-	-	-	-	-	-	-	-
Unrestricted	(\$37.9)	(\$33.7)	\$1.4	(\$3.3)	(\$36.5)	(\$37.0)	\$0.4	\$0.4
Prior period adjustment	-	(\$1.4)	-	-	-	(\$1.4)	-	-
Total net position	\$72.8	\$57.7	\$14.4	\$11.5	\$87.1	\$69.2	\$20.5	\$22.5

* Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the CAFR may exist.

Over time, net position may serve as a useful indicator of the City's financial position. For the most recently concluded fiscal year, the City's Primary Government assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$87.1 million, which is an increase of \$17.9 million from F/Y 18, mainly generated by more noncurrent capital assets acquired, different methodology used and capital assets reallocated between Primary Government and School Board in F/Y 19. The net position of School Board decreased by \$2.0 million because of the different allocation of capital assets between Primary Government and School Board in F/Y 19. The total net position of Primary Government and School Board increased by \$15.9 million from the net position as of June 30, 2018.

The largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, infrastructure improvements, machinery and equipment, and construction in progress, net of accumulated depreciation) less any related outstanding debt used to acquire those assets. As of June 30, 2019, this investment totaled \$268.1 million for the entire reporting entity (\$247.9 million for the Primary Government and \$20.2 million for the School Board Component Unit). The City uses these assets to provide services to its citizens; consequently, these assets are not readily available for future spending.

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

Statement of Activities

The following table shows the revenues and expenses of the governmental and business-type activities and the School Board Component Unit:

Table 2
Summary of Changes in Net Position
Years Ended June 30, 2019 and 2018
(in millions)*

	Primary Government						School Board Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2019	2018	2019	2018	2019	2018	2019	2018
Revenues:								
Program revenues:								
Charges for services	\$ 6.1	\$ 6.4	\$ 10.5	\$ 9.8	\$ 16.6	\$ 16.2	\$ 0.7	\$ 0.7
Operating grants and contributions	4.4	5.9	0.4	0.2	4.8	6.1	8.4	7.9
Capital grants and contributions	12.9	18.8	0.6	-	13.5	18.8	-	2.3
General revenues:								
General property taxes	78.3	77.5	-	-	78.3	77.5	-	-
Other local taxes	36.7	36.5	-	-	36.7	36.5	-	-
Contribution from City	-	-	-	-	-	-	40.4	38.1
Grants and contributions not restricted to specific programs	5.5	3.5	-	-	5.5	3.5	-	-
Use of money and property	1.9	1.4	0.2	0.2	2.1	1.6	1.7	1.7
Miscellaneous	0.7	0.4	-	0.4	0.7	0.8	-	-
Total revenues	\$ 146.5	\$ 150.4	\$ 11.7	\$ 10.6	\$ 158.2	\$ 161.0	\$ 51.2	\$ 50.7
Expenses:								
General government	\$ 11.8	\$ 13.2	\$ -	\$ -	\$ 11.8	\$ 13.2	\$ -	\$ -
Judicial administration	2.3	2.8	-	-	2.3	2.8	-	-
Public safety	30.9	29.3	-	-	30.9	29.3	-	-
Public works	18.1	24.7	11.1	11.1	29.2	35.8	-	-
Health & social services	6.7	6.4	-	-	6.7	6.4	-	-
Education	44.1	43.8	-	-	44.1	43.8	53.1	52.2
Parks, recreation and cultural	7.8	7.4	-	-	7.8	7.4	-	-
Planning and community develop	3.2	2.9	-	-	3.2	2.9	-	-
Interest	4.4	3.8	-	-	4.4	3.8	-	-
Total expenses	\$ 129.3	\$ 134.3	\$ 11.1	\$ 11.1	\$ 140.4	\$ 145.5	\$ 53.1	\$ 52.2
Change in net position before transfers & special items	\$ 17.2	\$ 16.1	\$ 0.6	\$ (0.5)	\$ 17.9	\$ 15.4	\$ (1.9)	\$ (1.5)
Transfers	(2.3)	(1.4)	2.3	1.4	-	-	-	-
Special items	-	-	-	-	-	-	-	-
Change in net position	\$ 15.0	\$ 14.6	\$ 2.9	\$ 0.9	\$ 17.9	\$ 15.4	\$ (1.9)	\$ (1.5)
Net position, beginning of year	\$ 57.7	\$ 44.5	\$ 11.5	\$ 10.6	\$ 69.2	\$ 55.2	\$ 22.5	\$ 24.0
Cumulative effect of prior period adjustment	\$ -	\$ (1.4)	\$ -	\$ -	\$ -	\$ (1.4)	\$ -	\$ -
Net position, beginning of year adjusted	\$ 57.7	\$ 43.1	\$ 11.5	\$ 10.6	\$ 69.2	\$ 53.8	\$ 22.5	\$ 24.0
Net position, ending of year	\$ 72.7	\$ 57.7	\$ 14.4	\$ 11.5	\$ 87.1	\$ 69.2	\$ 20.5	\$ 22.5

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the CAFR may exist.

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

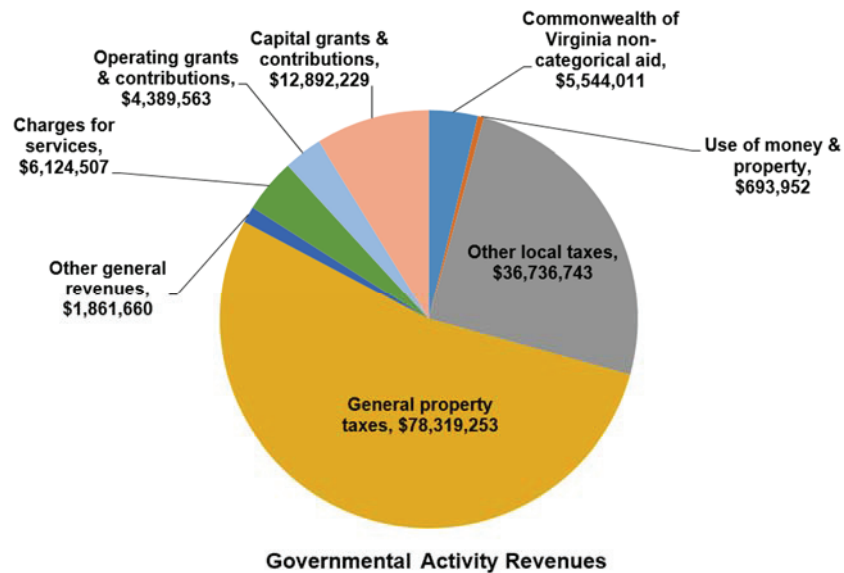
YEAR ENDED JUNE 30, 2019

Governmental Activities

Revenues for the City's governmental activities were \$146.6 million, which is a decrease of \$2.9 million from F/Y 18:

- General property taxes are the largest revenue source for the City. A 2.4% increase in the calendar year 2019 real property assessments accounts for an increase in general property tax revenues of \$1.7 million.
- Other local tax revenues remained flat in F/Y 19. Consumer utility taxes, tobacco taxes, transient occupancy tax, consumption tax and communication tax decreased or remained flat, while franchise tax, local sales taxes, motor vehicle license tax and recordation tax increased, business license taxes and meals tax both had significant increase of \$0.6 million and \$0.4 million respectively.
- Grants and contributions for transportation capital projects decreased from F/Y 18, offset by the increase in Commonwealth of Virginia non-categorical aid, use of money and property and other general revenues, caused a \$4.8 million decrease in other revenue categories.

The chart below shows F/Y 19 governmental revenues by program source:



Expenses for the City's governmental activities were \$129.3 million in F/Y 19, which is a decrease of \$5.1 million from F/Y 18.

- The major saving is the general public works costs, decreased by \$6.6 million in F/Y 19.
- Another major driver of the decrease is the general government administration costs, which decreased by \$1.5 million in F/Y 19. The general government administration costs have decreased substantially for the second straight year, reduced by \$3.7 million in total in recent two fiscal years.
- The City continued with its commitment to public safety by increasing its annual investment by \$1.6 million in F/Y 19.

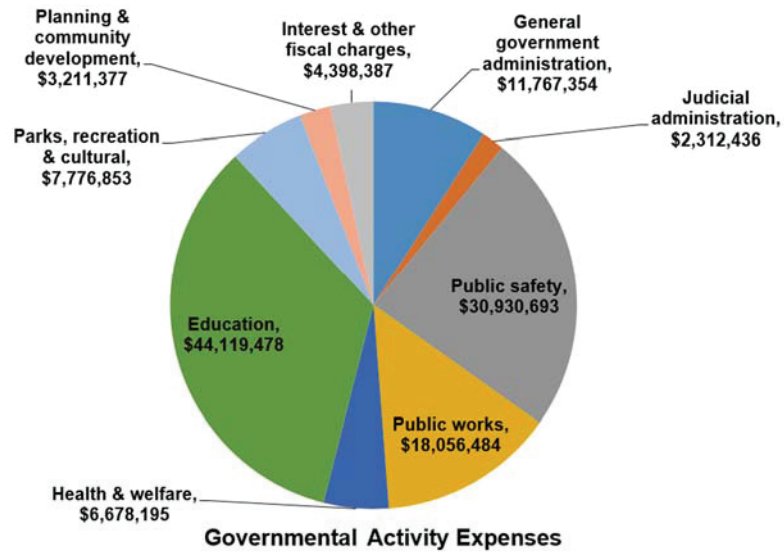
CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

As shown in the chart below, Education remains the City's largest program, followed by Public Safety and Public Works.

Governmental activity expenses by major category are as follows:



Business-type Activities

Business-type activities increased the City's net position by \$2.9 million, mainly caused by the fund transfer from General Fund. The revenues increased \$1.1 million from F/Y 18, as a result of a \$0.7 million increase in charges for services, a \$0.6 million decrease in capital grants and contributions and a \$0.2 million increase in operating grants and contributions. Business-type activities expenses remained flat.

Component Unit Activities

The School Board's net position was \$20.5 million at the end of F/Y 19, a decrease of \$2.0 million from the net position as of June 30, 2018. The decrease in net position was mainly caused by increased cost in the school tuition contract.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (See Exhibits 3-10)

This section of the MD&A discusses the City's Fund Financials, which as noted earlier, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Consequently, the amounts presented in Exhibits 3 through 7 in the Basic Financial Statements section of the CAFR will differ from the amounts presented in Exhibits 1 and 2. Exhibit 4 provides a reconciliation between the Balance Sheet of the Governmental Funds and the Statement of Net Position to allow the reader to understand the connection.

CITY OF FAIRFAX, VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance is a useful measure of a City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$49.1 million, an increase of \$0.3 million from the prior year. Approximately 36.3% of this total amount (\$17.8 million) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is classified as of non-spendable (\$1.8 million), restricted (\$12.5 million), committed (\$1.3 million), and assigned (\$15.6 million) to indicate that the funds are not available for discretionary spending.

The General Fund is the primary operating fund of the City. The total fund balance increased by \$0.8 million in F/Y 19 (revenues of \$131.8 million less expenditures of \$119.4 million and other financing uses (net) of \$11.6 million).

The General Capital Projects and Other Governmental fund balances are committed or assigned to capital projects, and unavailable for other spending.

Proprietary funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for Business-type Activities. The City has the following proprietary funds: Wastewater Fund (major), Transportation Funds (major) and Water Utility Fund (non-major). Unrestricted net position of the Wastewater Fund and Transportation Fund at June 30, 2019 totaled \$4.4 million and (\$2.9) million, respectively. The total proprietary fund unrestricted net position increased by \$4.7 million from the prior year to \$1.4 million.

Major events in both the Governmental and proprietary Funds during the current fiscal year included the following:

- Significant on-going construction costs on the Northfax project, totaling \$9.0 million in F/Y 19. The construction will continue in F/Y 20. Northfax is currently the City's largest capital project.
- Firing Range project expenditures totaling \$3.0 million.
- Chain Bridge Road Sidewalk project costs totaling \$1.5 million, \$1.2 million more than F/Y 18.
- Residual cash in the Water Fund once again supplementing the C&I tax rate in order to maximize receipt of "30%" transportation funding from the State. The City's C&I tax rate was increased 1.0 cent to 12.5 cents per \$100 of assessed value on commercial and industrial real property now.
- An increase in Wastewater utility rates of 10.0% to support the City's share of capital project costs required for the Noman M. Cole, Jr. Wastewater Treatment Plant.

General Fund Budgetary Highlights

While the previous sections discuss changes in actual results from F/Y 18 to F/Y 19, the following section provides a summarized final-budget-to-actual analysis of the General Fund to show how actual results compare to the final budget. While results may be positive year-over-year, they may still show a negative variance with the final budget.

Table 3 on the next page summarizes Exhibit 7, which can be found in the Basic Financial Statements section of the CAFR.

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

Table 3
General Fund Budgetary Highlights
Fiscal Year 2019
(in millions)*

	Final Budget	Actual	Actual Over/(Under) Final Budget
Revenues:			
Taxes	\$ 115.6	\$ 112.6	\$ (3.0)
Intergovernmental	7.7	10.8	3.1
Other	7.9	8.4	0.5
Totals	131.2	131.8	0.6
Expenditures	122.8	119.4	(3.4)
Excess of revenues over expenditures:	8.4	12.4	4.0
Other financing sources and (uses):			
Transfers out, net	(11.4)	(11.6)	(0.2)
Changes in fund balance	(2.9)	0.8	3.7
Fund balance, beginning	2.9	30.5	27.6
Fund balance, ending	\$ -	\$ 31.3	\$ 31.3

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the CAFR may exist.

Actual General Fund revenues were \$0.6 million more than final budget amounts, and actual expenditures were under the final budget by \$3.4 million. Highlights of the comparison of final budget to actual figures for the fiscal year ended June 30, 2019, include the following:

- PPTRA of \$3.0 million is budgeted in Taxes but recorded in Intergovernmental. It is necessary to net the two variances in order to analyze performance.
- Overall expenditures came in under budget by \$3.4 million, driven mainly by lower-than-budgeted public safety expenditures (\$2.2 million), planning and community development (\$0.4 million) and public works (\$0.2 million).

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

CAPITAL ASSETS

As of June 30, 2019, the City's governmental activities, business-type activities, and the activities of the Component Unit School Board had invested \$214.8, \$33.1, \$20.2 million net of accumulated depreciation, respectively, in capital assets, as reflected in Table 4 below.

Table 4
Statement of Capital Assets
June 30, 2019 and 2018
(in millions)*

	Primary Government						Component Unit	
	Governmental Activities		Business-type Activities		Totals		School Board	
	2019	2018	2019	2018	2019	2018	2019	2018
Land	\$ 54.1	\$ 50.8	\$ -	\$ -	\$ 54.1	\$ 50.8	\$ 1.4	\$ 1.4
Construction in Progress	58.8	45.1	5.4	4.5	64.2	49.6	-	-
Depreciable Capital Assets:								
Buildings and Improvements	57.3	57.3	1.5	1.5	58.8	58.8	51.1	48.3
Machinery and Equipment	30.6	29.9	5.3	5.2	35.9	35.1	1.4	1.4
Joint Tenancy Assets	65.6	68.4	-	-	65.6	68.4	-	-
Intangible Assets	-	-	29.6	25.4	29.6	25.4	-	-
Infrastructure	54.3	52.7	8.2	8.2	62.5	60.9	-	-
Accumulated Amortization	-	-	(7.3)	(6.1)	(7.3)	(6.1)	-	-
Accumulated Depreciation	(105.9)	(100.2)	(9.6)	(9.1)	(115.5)	(109.3)	(33.7)	(29.0)
Total	\$ 214.8	\$ 204.0	\$ 33.1	\$ 29.6	\$ 247.9	\$ 233.6	\$ 20.2	\$ 22.1

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the CAFR may exist.

The City's investment in capital assets for governmental and business-type activities as of June 30, 2019, amounts to \$247.9 million, net of accumulated amortization and accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure. Common infrastructure items include roadways, bridges, storm drainage areas, wastewater lines, sidewalks, curbs, bike paths and traffic lights. The investment in capital assets increased by \$14.3 million during F/Y 19, mainly driven by the increase in construction in progress.

Major capital asset transactions of the City during F/Y 2019 in both the governmental and business-type activities included the following:

- Continued investment in the roadway infrastructure of \$16.2 million, mainly Northfax project, as construction in progress.
- Continued investment in firing range of \$3.0 million as construction in progress.

The City's investment in capital assets for its School Board Component Unit as of June 30, 2019, was \$20.2 million, net of accumulated depreciation, a net decrease of \$0.9 million from the prior fiscal year caused by the prior period adjustment and the new depreciation methodology. If the factor of depreciation is excluded, the investment in capital assets increased by \$2.8 million during F/Y 19 because the investment in buildings and improvements increased by \$2.8 million.

Additional information on the City's capital assets can be found in Note 6 of the Notes to the Financial Statements section of this report.

CITY OF FAIRFAX, VIRGINIA
MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2019

OUTSTANDING DEBT

Table 5
General Obligation, Revenue Bonds, and Notes Payable
(in millions)*

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds						
General Obligation Bonds	\$ 73.4	\$ 77.2	\$ -	\$ -	\$ 73.4	\$ 77.2
General Obligation Bonds - Premiums	5.7	2.0	-	-	5.7	2.0
Lease Revenue Bonds	34.1	36.4	-	-	34.1	36.4
Public Improvement COPs	11.2	11.4	-	-	11.2	11.4
Notes Payable	5.2	5.7	-	-	5.2	5.7
Capital Leases	4.5	4.7	-	-	4.5	4.7
Governmental Debt	\$ 134.1	\$ 137.4	\$ -	\$ -	\$ 134.1	\$ 137.4
Self-Supporting Debt						
WasteWater - Lease Revenue Bonds & Premiums	\$ -	\$ -	\$ 22.6	\$ 22.5	\$ 22.6	\$ 22.5
Total City Debt	\$ 134.1	\$ 137.4	\$ 22.6	\$ 22.5	\$ 156.7	\$ 159.9

*Immaterial rounding differences between the Tables in the MD&A and the Exhibits in the Financial Section of the CAFR may exist.

Additional information on the City of Fairfax's long-term debt can be found in Note 7 of Notes to the Financial Statements section of this report.

ECONOMIC FACTORS

While certain revenues, such as tobacco taxes performed negatively compared to budget, total revenues showed healthy increases over the prior F/Y. Additionally, real estate assessments increased by 2.4%. Residential assessments have increased for the 9th consecutive year and commercial assessments increased slightly, indicating a steady residential sector, a stable commercial sector, and a healthy real estate market as a whole.

The City's impressively low unemployment rate has continued to improve, closing the fiscal year at 2.1% remaining much lower than national (3.6%) and State (2.7%) unemployment rates. The City's bond ratings, Aaa (Moody's Investor Services) and AAA (Standard and Poor's) place it in the top tier of municipal bond issuers. The City continues to maintain a strong economic base. The City's retail market remains strong with a vacancy rate of 5.7%, among the lowest in the region. City office space has an 11.4% vacancy rate, lower than last year and comparing favorably to the vacancy rates in surrounding jurisdictions. The City continues to promote redevelopment along the Route 50/29 Corridor (Fairfax Boulevard), and has approved mixed-use development projects at Fairfax Circle, Kamp Washington, and Northfax Gateway, several of which are under construction. In addition, several major projects have been completed along the Boulevard with many others in various stages of planning, design, and development.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, City of Fairfax, 10455 Armstrong Street, Fairfax, Virginia 22030, telephone (703) 385-3973, or visit the City's web site at www.fairfaxva.gov.

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BASIC FINANCIAL STATEMENTS

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Statement of Net Position
At June 30, 2019

	Primary Government			Component Units	
	Governmental Activities	Business- type Activities	Totals	School Board	Nonmajor Component Units
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 26,499,795	\$ 6,224,950	\$ 32,724,745	\$ 2,500	\$ 1,281,498
Cash and cash equivalents - in custody of others	21,770,847	-	21,770,847	-	-
Receivables (net of allowance for uncollectibles):					
Property taxes	35,461,934	-	35,461,934	-	-
Accounts receivable	1,548,238	2,238,232	3,786,470	-	-
Due from other governments	8,842,570	1,360,917	10,203,487	819,795	-
Due from component units	1,574,756	-	1,574,756	-	-
Interfund receivable (payable)	1,591,004	(1,591,004)	-	-	-
Inventories	831,278	-	831,278	-	862,594
Prepaid items	1,020,262	24,200	1,044,462	-	-
Restricted cash	-	1,936,820	1,936,820	-	-
Advance to other governments	-	-	-	552,745	-
Total Current Assets	\$ 99,140,684	\$ 10,194,115	\$ 109,334,799	\$ 1,375,040	\$ 2,144,092
Noncurrent Assets:					
Capital assets (net of accumulated depreciation):					
Land and improvements	\$ 54,093,768	\$ 17,583	\$ 54,111,351	\$ 1,381,115	\$ -
Buildings and improvements	57,310,504	1,491,528	58,802,032	51,082,507	-
Machinery and equipment	30,587,994	5,253,483	35,841,477	1,400,242	-
Joint tenancy assets	65,634,196	-	65,634,196	-	-
Infrastructure	54,301,462	8,228,776	62,530,238	-	-
Intangible assets	-	29,550,731	29,550,731	-	-
Construction in progress	58,783,116	5,423,784	64,206,900	19,829	-
Accumulated amortization	-	(7,280,376)	(7,280,376)	-	-
Accumulated depreciation	(105,943,588)	(9,587,717)	(115,531,305)	(33,709,322)	-
Total capital assets	\$ 214,767,452	\$ 33,097,792	\$ 247,865,244	\$ 20,174,371	\$ -
Total Noncurrent Assets	\$ 214,767,452	\$ 33,097,792	\$ 247,865,244	\$ 20,174,371	\$ -
Total Assets	\$ 313,908,136	\$ 43,291,907	\$ 357,200,043	\$ 21,549,411	\$ 2,144,092
DEFERRED OUTFLOWS OF RESOURCES					
Pension related items	\$ 17,298,274	\$ 727,996	\$ 18,026,270	\$ 19,161	\$ -
OPEB related items	2,151,668	137,341	2,289,009	1,637	-
Deferred charge on refunding	8,163,617	525,904	8,689,521	-	-
Total Deferred Outflows of Resources	\$ 27,613,559	\$ 1,391,241	\$ 29,004,800	\$ 20,798	\$ -
LIABILITIES					
Current Liabilities:					
Accounts payable and accrued liabilities	\$ 9,166,940	\$ 2,410,510	\$ 11,577,450	\$ 345,864	\$ -
Retainage payable	1,606,397	-	1,606,397	-	-
Accrued interest payable	1,714,411	188,920	1,903,331	-	-
Customer deposits and other liabilities	2,039,710	668,299	2,708,009	-	-
Due to primary government	-	-	-	473,931	1,100,825
Unearned revenue	1,754,986	-	1,754,986	-	-
Current portion of long-term obligations	9,156,598	738,281	9,894,879	2,018	-
Total Current Liabilities	\$ 25,439,042	\$ 4,006,010	\$ 29,445,052	\$ 821,813	\$ 1,100,825
Noncurrent Liabilities:					
Noncurrent portion of long-term obligations	201,084,324	25,974,387	227,058,711	202,338	-
Total Liabilities	\$ 226,523,366	\$ 29,980,397	\$ 256,503,763	\$ 1,024,151	\$ 1,100,825
DEFERRED INFLOWS OF RESOURCES:					
Pension related items	\$ 7,264,530	\$ 313,522	\$ 7,578,052	\$ 15,000	\$ -
OPEB related items	108,720	6,939	115,659	1,000	-
Deferred revenue - property taxes	34,872,053	-	34,872,053	-	-
Total Deferred Inflows of Resources	\$ 42,245,303	\$ 320,461	\$ 42,565,764	\$ 16,000	\$ -
NET POSITION					
Net investment in capital assets	\$ 110,643,629	\$ 12,941,456	\$ 123,585,085	\$ 20,174,371	\$ -
Unrestricted	(37,890,603)	1,440,834	(36,449,769)	355,687	1,043,267
Total Net Position	\$ 72,753,026	\$ 14,382,290	\$ 87,135,316	\$ 20,530,058	\$ 1,043,267

The accompanying notes to financial statements are an integral part of this statement.

CITY OF FAIRFAX, VIRGINIA

Statement of Activities
 Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	\$ 11,767,354	\$ 278,206	\$ 378,758	\$ -
Judicial administration	2,312,436	1,315,495	-	-
Public safety	30,930,693	2,068,077	1,218,981	1,359,022
Public works	18,056,484	699,270	2,787,324	11,533,207
Health and welfare	6,678,195	-	-	-
Education	44,119,478	-	-	-
Parks, recreation, and cultural	7,776,853	1,547,129	4,500	-
Community development	3,211,377	216,330	-	-
Interest on long-term debt	4,398,387	-	-	-
Total governmental activities	\$ 129,251,257	\$ 6,124,507	\$ 4,389,563	\$ 12,892,229
Business-type activities:				
Wastewater	\$ 6,878,926	\$ 9,403,803	\$ 377,580	\$ -
Transportation	4,246,680	1,138,470	-	628,000
Water	-	-	-	-
Total business-type activities	\$ 11,125,606	\$ 10,542,273	\$ 377,580	\$ 628,000
Total primary government	\$ 140,376,863	\$ 16,666,780	\$ 4,767,143	\$ 13,520,229
COMPONENT UNITS:				
School Board	\$ 53,138,471	\$ 735,198	\$ 8,365,807	\$ -
Nonmajor component units:				
Industrial Development Authority	\$ 992,549	\$ -	\$ -	\$ -
Economic Development Authority	180,738	-	-	-
Total nonmajor component units	\$ 1,173,287	\$ -	\$ -	\$ -
Total component units	\$ 54,311,758	\$ 735,198	\$ 8,365,807	\$ -

General revenues:
 General property taxes
 Local sales and use taxes
 Business license taxes
 Consumer utility taxes
 Meals tax
 Franchise tax
 Other local taxes
 Unrestricted revenues from use of money and property
 Contribution from City
 Grants and contributions not restricted to specific programs
 Miscellaneous
 Transfers
 Total general revenues and transfers
 Change in net position
 Net position - beginning, as restated
 Net position - ending

The accompanying notes to financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-type Activities	Total	School Board	Nonmajor Component Units	
\$ (11,110,390)	\$ -	\$ (11,110,390)	\$ -	\$ -	
(996,941)	-	(996,941)	-	-	
(26,284,613)	-	(26,284,613)	-	-	
(3,036,683)	-	(3,036,683)	-	-	
(6,678,195)	-	(6,678,195)	-	-	
(44,119,478)	-	(44,119,478)	-	-	
(6,225,224)	-	(6,225,224)	-	-	
(2,995,047)	-	(2,995,047)	-	-	
(4,398,387)	-	(4,398,387)	-	-	
<u>\$ (105,844,958)</u>	<u>\$ -</u>	<u>\$ (105,844,958)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ 2,902,457	\$ 2,902,457	\$ -	\$ -	
-	(2,480,210)	(2,480,210)	-	-	
-	-	-	-	-	
<u>\$ -</u>	<u>\$ 422,247</u>	<u>\$ 422,247</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ (105,844,958)</u>	<u>\$ 422,247</u>	<u>\$ (105,422,711)</u>	<u>\$ -</u>	<u>\$ -</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44,037,466)</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ -	\$ (992,549)	
-	-	-	-	(180,738)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,173,287)</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (44,037,466)</u>	<u>\$ (1,173,287)</u>	
\$ 78,319,253	\$ -	\$ 78,319,253	\$ -	\$ -	
11,836,812	-	11,836,812	-	-	
9,344,777	-	9,344,777	-	-	
1,577,007	-	1,577,007	-	-	
6,374,777	-	6,374,777	-	-	
2,801,820	-	2,801,820	-	-	
4,801,550	-	4,801,550	-	-	
1,861,660	180,713	2,042,373	1,747,821	770,546	
-	-	-	40,367,829	-	
5,544,011	-	5,544,011	-	-	
693,952	-	693,952	-	473,985	
(2,295,419)	2,295,419	-	-	-	
<u>\$ 120,860,200</u>	<u>\$ 2,476,132</u>	<u>\$ 123,336,332</u>	<u>\$ 42,115,650</u>	<u>\$ 1,244,531</u>	
\$ 15,015,242	\$ 2,898,379	\$ 17,913,621	\$ (1,921,816)	\$ 71,244	
57,737,784	11,483,911	69,221,695	22,451,874	972,023	
<u>\$ 72,753,026</u>	<u>\$ 14,382,290</u>	<u>\$ 87,135,316</u>	<u>\$ 20,530,058</u>	<u>\$ 1,043,267</u>	

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Balance Sheet - Governmental Funds
At June 30, 2019

	General	General Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 18,049,332	\$ 2,472,376	\$ 5,978,087	\$ 26,499,795
Cash and cash equivalents - in custody of others	11,284,954	10,485,893	-	21,770,847
Receivables (Net of allowance for uncollectibles):				
Taxes, including penalties	35,461,934	-	-	35,461,934
Accounts	1,548,238	-	-	1,548,238
Inventories	831,278	-	-	831,278
Prepaid items	611,750	319,793	88,719	1,020,262
Due from other funds	1,591,004	-	-	1,591,004
Due from other governments	3,217,832	5,618,650	6,088	8,842,570
Due from component units	1,414,756	160,000	-	1,574,756
	<u>\$ 74,011,078</u>	<u>\$ 19,056,712</u>	<u>\$ 6,072,894</u>	<u>\$ 99,140,684</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,732,148	\$ 5,239,652	\$ 195,140	\$ 9,166,940
Retainage payable	-	1,606,397	-	1,606,397
Customer deposits and other liabilities	1,883,060	156,650	-	2,039,710
Unearned revenues	1,629,397	125,589	-	1,754,986
	<u>\$ 7,244,605</u>	<u>\$ 7,128,288</u>	<u>\$ 195,140</u>	<u>\$ 14,568,033</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	\$ 35,459,212	\$ -	\$ -	\$ 35,459,212
FUND BALANCES				
Nonspendable	\$ 1,443,028	\$ 319,793	\$ 88,719	\$ 1,851,540
Restricted	11,815,202	324,848	383,190	12,523,240
Committed	-	1,270,346	-	1,270,346
Assigned	208,028	10,013,437	5,405,845	15,627,310
Unassigned	17,841,003	-	-	17,841,003
	<u>\$ 31,307,261</u>	<u>\$ 11,928,424</u>	<u>\$ 5,877,754</u>	<u>\$ 49,113,439</u>
Total fund balances	<u>\$ 31,307,261</u>	<u>\$ 11,928,424</u>	<u>\$ 5,877,754</u>	<u>\$ 49,113,439</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 74,011,078</u>	<u>\$ 19,056,712</u>	<u>\$ 6,072,894</u>	<u>\$ 99,140,684</u>

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
At June 30, 2019

		<u>Primary Government</u>
Total fund balances - governmental funds	\$	49,113,439
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:		
Capital assets	\$ 320,711,040	
Accumulated depreciation	<u>(105,943,588)</u>	214,767,452
Unavailable revenue represents amounts that were not available to fund current expenditures and therefore is not reported as revenue in the governmental funds.		
		587,159
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore are not reported in the funds.		
Deferred charge on refunding	\$ 8,163,617	
Pension related items	17,298,274	
OPEB related items	<u>2,151,668</u>	27,613,559
Long-term liabilities, including bonds payable, are not due and payable in the current current period and therefore are not reported as liabilities in the governmental funds.		
General obligation bonds	\$ (73,381,000)	
Lease revenue bonds	(34,113,000)	
Notes payable	(5,185,000)	
Public facility certificate of participation	(11,185,000)	
Capital leases	(4,521,088)	
Premiums on bonds payable	(5,673,199)	
Net pension liability	(57,425,313)	
Net OPEB liability	(16,142,519)	
Accrued interest on debt	(1,714,411)	
Compensated absences	<u>(2,614,803)</u>	(211,955,333)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$ (7,264,530)	
OPEB related items	<u>(108,720)</u>	<u>(7,373,250)</u>
Net position of governmental activities	\$	<u><u>72,753,026</u></u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds
 Year Ended June 30, 2019

	Governmental Funds			Total Governmental Funds
	General	General Capital Projects	Other Governmental Funds	
Revenues:				
General property taxes	\$ 78,208,786	\$ -	\$ -	\$ 78,208,786
Other local taxes	34,429,077	-	2,307,666	36,736,743
Permits, privilege fees and regulatory licenses	1,368,526	221,147	14,730	1,604,403
Fines and forfeitures	1,312,020	-	-	1,312,020
Revenue from use of money and property	1,800,359	61,301	-	1,861,660
Charges for services	3,208,084	-	-	3,208,084
Miscellaneous	664,252	750,000	29,700	1,443,952
Intergovernmental:				
Fairfax County	882,920	-	-	882,920
Commonwealth	9,498,990	11,008,475	6,088	20,513,553
Federal	434,584	1,127,666	-	1,562,250
Total revenues	\$ 131,807,598	\$ 13,168,589	\$ 2,358,184	\$ 147,334,371
Expenditures:				
Current:				
General government administration	\$ 10,225,079	\$ 940,885	\$ -	\$ 11,165,964
Judicial administration	2,312,436	-	-	2,312,436
Public safety	26,623,114	3,930,233	-	30,553,347
Public works	12,244,937	16,528,565	1,872,620	30,646,122
Health and welfare	6,674,964	-	-	6,674,964
Education	39,067,591	412,547	-	39,480,138
Parks, recreation, and cultural	6,788,259	1,485,431	135,151	8,408,841
Planning and community development	3,091,975	-	-	3,091,975
Debt service:				
Principal retirement	7,956,523	-	-	7,956,523
Interest and other fiscal charges	4,428,810	55,100	-	4,483,910
Total expenditures	\$ 119,413,688	\$ 23,352,761	\$ 2,007,771	\$ 144,774,220
Excess (deficiency) of revenues over (under) expenditures	\$ 12,393,910	\$ (10,184,172)	\$ 350,413	\$ 2,560,151
Other financing sources (uses):				
Capital lease issuance	\$ -	\$ 961,000	\$ -	\$ 961,000
Transfers in	6,897	13,187,635	4,231,221	17,425,753
Transfers (out)	(11,642,993)	-	(8,078,179)	(19,721,172)
Total other financing sources (uses)	\$ (11,636,096)	\$ 14,148,635	\$ (3,846,958)	\$ (1,334,419)
Net changes in fund balances	\$ 757,814	\$ 3,964,463	\$ (3,496,545)	\$ 1,225,732
Fund balances at beginning of year, as restated	30,549,447	7,963,961	9,374,299	47,887,707
Fund balances at end of year	\$ 31,307,261	\$ 11,928,424	\$ 5,877,754	\$ 49,113,439

The accompanying notes to financial statements are an integral part of this statement.

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Year Ended June 30, 2019

	<u>Primary Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ 1,225,732
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation in the current period. The following details support this adjustment:	
Capital outlay	\$ 20,473,697
Depreciation expense	<u>(7,764,248)</u> 12,709,449
Transfer of assets from Primary Government to the Component Unit School Board	(1,300,238)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	(645,311)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. Details of this item consist of:	
Unavailable taxes	110,467
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items. A summary of items supporting this adjustment is as follows:	
Debt issued or incurred:	
Issuance of capital leases	\$ (961,000)
Principal retired on general obligation debt	3,767,000
Principal retired on public improvement bonds	176,000
Principal retired on lease revenue bonds	2,320,000
Principal retired on notes payable	535,000
Principal retired on capital lease obligations	<u>1,158,523</u> 6,995,523
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:	
Change in accrued interest payable	\$ 268,960
Change in compensated absences	(8,084)
OPEB expense	(738,420)
Pension expense	(3,419,399)
Amortization of premiums on bonds payable	481,585
Amortization of loss on refunding	<u>(665,022)</u> (4,080,380)
Change in net position of governmental activities	<u>\$ 15,015,242</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2019

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
General property taxes	\$ 82,436,155	\$ 82,636,155	\$ 78,208,786	\$ (4,427,369)
Other local taxes	32,961,795	32,961,795	34,429,077	1,467,282
Permits, privilege fees and regulatory licenses	1,569,644	1,569,644	1,368,526	(201,118)
Fines and forfeitures	1,500,444	1,500,444	1,312,020	(188,424)
Revenue from use of money and property	1,284,005	1,294,005	1,800,359	506,354
Charges for services	2,892,066	2,947,066	3,208,084	261,018
Miscellaneous	403,900	612,773	664,252	51,479
Intergovernmental:				
Fairfax County	809,705	809,705	882,920	73,215
Commonwealth	6,125,843	6,149,053	9,498,990	3,349,937
Federal	514,233	741,619	434,584	(307,035)
Total revenues	\$ 130,497,790	\$ 131,222,259	\$ 131,807,598	\$ 585,339
Expenditures:				
General government administration:				
Legislative:				
City council	\$ 127,139	\$ 166,139	\$ 151,482	\$ 14,657
City clerk	196,076	196,076	199,070	(2,994)
Total legislative	\$ 323,215	\$ 362,215	\$ 350,552	\$ 11,663
Board of elections:				
Electoral board	\$ 357,098	\$ 357,098	\$ 280,702	\$ 76,396
General and financial administration:				
City manager	\$ 504,953	\$ 694,953	\$ 558,345	\$ 136,608
City attorney	472,700	472,700	482,630	(9,930)
Public audit of accounts	75,464	75,464	67,385	8,079
Personnel	774,192	774,192	820,248	(46,056)
Community relations	363,310	363,310	348,386	14,924
Cable television	329,307	329,307	317,591	11,716
Risk management	294,972	490,972	476,839	14,133
Telephone services	90,909	90,909	80,851	10,058
Information technology	2,113,339	2,218,793	2,171,643	47,150
Printing and office supplies	257,783	257,783	239,780	18,003
Fleet maintenance	-	39,026	-	39,026
Finance and Accounting	950,744	950,744	1,007,871	(57,127)
Real estate assessment	717,713	733,713	748,668	(14,955)
Treasurer	1,002,104	1,002,104	931,939	70,165
Commissioner of revenue	1,174,363	1,174,363	1,140,560	33,803
Marketing	68,001	68,001	80	67,921
Salary vacancy factor	(1,051,080)	(1,051,080)	-	(1,051,080)
Retirement	163,400	163,400	171,989	(8,589)
Pool maintenance	25,000	25,000	29,020	(4,020)
Contingencies	75,000	68,883	-	68,883
Budget cuts	(629,920)	(629,920)	-	(629,920)
Total general and financial administration	\$ 7,772,254	\$ 8,312,617	\$ 9,593,825	\$ (1,281,208)
Total general government administration	\$ 8,452,567	\$ 9,031,930	\$ 10,225,079	\$ (1,193,149)

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2019

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Judicial administration:				
General district court	\$ 58,060	\$ 58,060	\$ 47,966	\$ 10,094
Joint court service	306,667	306,667	314,388	(7,721)
Juvenile and domestic relations	517,632	557,632	609,241	(51,609)
Commonwealth attorney	119,707	119,707	110,469	9,238
Court services and custody	1,910,869	1,935,869	1,230,372	705,497
Total judicial administration	\$ 2,912,935	\$ 2,977,935	\$ 2,312,436	\$ 665,499
Public safety:				
Police administration	\$ 1,712,002	\$ 1,717,202	\$ 1,406,859	\$ 310,343
Police services	4,572,650	4,608,768	4,288,062	320,706
Police operations	7,060,294	7,063,104	6,822,498	240,606
Fire and rescue administration	1,657,339	1,897,483	1,740,237	157,246
Fire and rescue suppression	11,289,139	11,350,254	10,644,784	705,470
Code enforcement	2,009,926	2,009,926	1,720,674	289,252
Total public safety	\$ 28,301,350	\$ 28,646,737	\$ 26,623,114	\$ 2,023,623
Public works:				
Asphalt maintenance	\$ 1,298,180	\$ 1,299,292	\$ 998,459	\$ 300,833
Concrete maintenance	955,937	989,582	1,071,408	(81,826)
Snow and ice removal	387,620	304,796	378,181	(73,385)
Storm drainage	918,423	961,484	940,621	20,863
Signs, signals, and lighting	2,160,099	2,175,030	2,167,789	7,241
Refuse collection	2,897,803	2,903,347	2,884,284	19,063
Facilities maintenance	1,660,198	1,691,658	1,717,146	(25,488)
Street rights of way	1,120,043	1,115,043	1,147,046	(32,003)
Public works administration	1,003,570	1,028,570	742,777	285,793
County agent	48,809	48,809	23,910	24,899
Regional agencies	173,722	173,722	173,316	406
Total public works	\$ 12,624,404	\$ 12,691,333	\$ 12,244,937	\$ 446,396
Health and welfare:				
Health service department	\$ 1,229,565	\$ 1,354,565	\$ 1,307,704	\$ 46,861
Commission for women	2,250	2,250	1,048	1,202
Community Services Board	1,854,268	1,854,268	1,854,268	-
Senior citizen tax relief	1,100,000	1,100,000	943,087	156,913
Human services coordinator	144,610	144,610	167,825	(23,215)
Social services	2,168,404	2,187,404	2,401,032	(213,628)
Total health and welfare	\$ 6,499,097	\$ 6,643,097	\$ 6,674,964	\$ (31,867)
Education:				
Contribution to Fairfax City School Board	\$ 40,046,272	\$ 40,133,857	\$ 39,067,591	\$ 1,066,266

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2019

Fund, Function, Activity, Element	General Fund			Variance From Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Expenditures: (continued)				
Parks, recreation and cultural:				
Recreation:				
Recreation - administration	\$ 2,393,136	\$ 2,397,636	\$ 2,303,467	\$ 94,169
Special events	745,861	865,861	876,830	(10,969)
Parks and recreation facilities	583,882	655,370	636,077	19,293
Parks and ball field maintenance	1,401,007	1,401,007	1,449,985	(48,978)
Total recreation	\$ 5,123,886	\$ 5,319,874	\$ 5,266,359	\$ 53,515
Historic services	\$ 669,320	\$ 668,816	\$ 638,980	\$ 29,836
Library services	\$ 833,996	\$ 863,996	\$ 882,920	\$ (18,924)
Total parks, recreation and cultural	\$ 6,627,202	\$ 6,852,686	\$ 6,788,259	\$ 64,427
Planning and community development:				
Economic development	\$ 725,214	\$ 725,718	\$ 613,922	\$ 111,796
Planning design and review	1,686,853	1,704,844	1,369,257	335,587
Current planning	1,014,976	1,086,650	1,108,796	(22,146)
Total planning and community development	\$ 3,427,043	\$ 3,517,212	\$ 3,091,975	\$ 425,237
Debt service:				
Principal retirement	\$ 7,956,522	\$ 7,956,523	\$ 7,956,523	\$ -
Interest and fiscal charges	4,350,082	4,350,081	4,428,810	(78,729)
Total debt service	\$ 12,306,604	\$ 12,306,604	\$ 12,385,333	\$ (78,729)
Total expenditures	\$ 121,197,474	\$ 122,801,391	\$ 119,413,688	\$ 3,387,703
Excess (deficiency) of revenues over expenditures	\$ 9,300,316	\$ 8,420,868	\$ 12,393,910	\$ 3,973,042
Other financing sources (uses):				
Transfers in	\$ 160,000	\$ 160,000	\$ 6,897	\$ (153,103)
Transfers (out)	(10,345,984)	(11,531,250)	(11,642,993)	(111,743)
Total other financing sources (uses)	\$ (10,185,984)	\$ (11,371,250)	\$ (11,636,096)	\$ (264,846)
Net changes in fund balance	\$ (885,668)	\$ (2,950,382)	\$ 757,814	\$ 3,708,196
Fund balance at beginning of year, as restated	885,668	2,950,382	30,549,447	27,599,065
Fund balance at end of year	\$ -	\$ -	\$ 31,307,261	\$ 31,307,261

The accompanying notes to financial statements are an integral part of this statement.

Statement of Net Position - Proprietary Funds
At June 30, 2019

	Wastewater Fund	Transportation Fund	Nonmajor Fund Water Utility Fund	Totals
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 6,014,010	\$ -	\$ 210,940	\$ 6,224,950
Receivables (net of allowance for uncollectibles):				
Accounts receivable	2,238,232	-	-	2,238,232
Due from other governments	-	1,360,917	-	1,360,917
Restricted cash	1,936,820	-	-	1,936,820
Prepaid items	21,084	3,116	-	24,200
Total Current Assets	<u>\$ 10,210,146</u>	<u>\$ 1,364,033</u>	<u>\$ 210,940</u>	<u>\$ 11,785,119</u>
Noncurrent Assets				
Capital assets:				
Land and improvements	\$ 17,583	\$ -	\$ -	\$ 17,583
Buildings and improvements	1,264,570	226,958	-	1,491,528
Machinery and equipment	1,979,137	3,274,346	-	5,253,483
Water and sewer infrastructure	8,228,776	-	-	8,228,776
Intangible assets	29,550,731	-	-	29,550,731
Construction in progress	5,423,784	-	-	5,423,784
Accumulated amortization	(7,280,376)	-	-	(7,280,376)
Accumulated depreciation	(7,869,685)	(1,718,032)	-	(9,587,717)
Total Capital Assets (net)	<u>\$ 31,314,520</u>	<u>\$ 1,783,272</u>	<u>\$ -</u>	<u>\$ 33,097,792</u>
Total Noncurrent Assets	<u>\$ 31,314,520</u>	<u>\$ 1,783,272</u>	<u>\$ -</u>	<u>\$ 33,097,792</u>
Total Assets	<u>\$ 41,524,666</u>	<u>\$ 3,147,305</u>	<u>\$ 210,940</u>	<u>\$ 44,882,911</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension related items	\$ 198,724	\$ 529,272	\$ -	\$ 727,996
OPEB related items	45,780	91,561	-	137,341
Deferred charge on refunding	525,904	-	-	525,904
Total Deferred Outflows of Resources	<u>\$ 770,408</u>	<u>\$ 620,833</u>	<u>\$ -</u>	<u>\$ 1,391,241</u>
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,306,893	\$ 103,617	\$ -	\$ 2,410,510
Due to other funds	-	1,591,004	-	1,591,004
Accrued interest payable	188,920	-	-	188,920
Customer deposits and other liabilities	361,382	-	306,917	668,299
Compensated absences - current portion	2,406	14,100	-	16,506
Bonds payable - current portion	721,775	-	-	721,775
Total Current Liabilities	<u>\$ 3,581,376</u>	<u>\$ 1,708,721</u>	<u>\$ 306,917</u>	<u>\$ 5,597,014</u>
Noncurrent Liabilities				
Compensated absences - net of current portion	\$ 48,114	\$ 131,873	\$ -	\$ 179,987
Net Pension liability	783,515	2,083,226	-	2,866,741
Net OPEB liability	343,458	686,916	-	1,030,374
Bonds payable - net of current portion	21,897,285	-	-	21,897,285
Total Noncurrent Liabilities	<u>\$ 23,072,372</u>	<u>\$ 2,902,015</u>	<u>\$ -</u>	<u>\$ 25,974,387</u>
Total Liabilities	<u>\$ 26,653,748</u>	<u>\$ 4,610,736</u>	<u>\$ 306,917</u>	<u>\$ 31,571,401</u>
DEFERRED INFLOWS OF RESOURCES				
Pension related items	\$ 83,898	\$ 229,624	\$ -	\$ 313,522
OPEB related items	2,313	4,626	-	6,939
Total Deferred Inflows of Resources	<u>\$ 86,211</u>	<u>\$ 234,250</u>	<u>\$ -</u>	<u>\$ 320,461</u>
NET POSITION				
Net investment in capital assets	\$ 11,158,184	\$ 1,783,272	\$ -	\$ 12,941,456
Unrestricted	4,396,931	(2,860,120)	(95,977)	1,440,834
Total Net Position	<u>\$ 15,555,115</u>	<u>\$ (1,076,848)</u>	<u>\$ (95,977)</u>	<u>\$ 14,382,290</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position -
 Proprietary Funds
 Year Ended June 30, 2019

	Wastewater Fund	Transportation Fund	Nonmajor Fund Water Utility Fund	Totals
Operating revenues:				
Charges for services	\$ 9,403,803	\$ 1,138,470	\$ -	\$ 10,542,273
Total operating revenues	\$ 9,403,803	\$ 1,138,470	\$ -	\$ 10,542,273
Operating expenses:				
Salaries	\$ 681,006	\$ 1,730,804	\$ -	\$ 2,411,810
Fringe benefits	336,821	801,758	-	1,138,579
Contractual services	2,265,936	20,303	-	2,286,239
Internal services	663,733	1,364,325	-	2,028,058
Other operating expenses	67,372	46,688	-	114,060
Miscellaneous capital outlay	158,894	17,507	-	176,401
Depreciation and amortization	1,477,165	265,295	-	1,742,460
Total operating expenses	\$ 5,650,927	\$ 4,246,680	\$ -	\$ 9,897,607
Income (loss) from operations	\$ 3,752,876	\$ (3,108,210)	\$ -	\$ 644,666
Nonoperating revenues (expenses):				
Investment income	\$ 180,713	\$ -	\$ -	\$ 180,713
Interest expense	(1,227,999)	-	-	(1,227,999)
Northern Virginia Transportation Commission	-	628,000	-	628,000
Federal interest subsidy	377,580	-	-	377,580
Total nonoperating revenues (expenses)	\$ (669,706)	\$ 628,000	\$ -	\$ (41,706)
Net income (loss) before transfers	\$ 3,083,170	\$ (2,480,210)	\$ -	\$ 602,960
Transfers:				
Transfers in	\$ -	\$ 2,483,667	\$ -	\$ 2,483,667
Transfers (out)	-	-	(188,248)	(188,248)
Net transfers	\$ -	\$ 2,483,667	\$ (188,248)	\$ 2,295,419
Change in net position	\$ 3,083,170	\$ 3,457	\$ (188,248)	\$ 2,898,379
Net position, beginning of year	12,471,945	(1,080,305)	92,271	11,483,911
Net position, end of year	\$ 15,555,115	\$ (1,076,848)	\$ (95,977)	\$ 14,382,290

The accompanying notes to financial statements are an integral part of this statement.

Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2019

	Wastewater Fund	Transportation Fund	Nonmajor Fund Utility Fund	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 9,006,350	\$ 755,553	\$ -	\$ 9,761,903
Payments to employees (including fringe benefits)	(946,029)	(2,409,310)	-	(3,355,339)
Payments for operating activities	(3,631,481)	(1,457,910)	9,202	(5,080,189)
Net cash provided by (used for) operating activities	<u>\$ 4,428,840</u>	<u>\$ (3,111,667)</u>	<u>\$ 9,202</u>	<u>\$ 1,326,375</u>
Cash flows from non-capital financing activities:				
Transfers in	\$ -	\$ 2,483,667	\$ -	\$ 2,483,667
Transfers (out)	-	-	(188,248)	(188,248)
Interfund borrowing	(2,637)	-	-	(2,637)
Intergovernmental grants	377,580	628,000	-	1,005,580
Net cash provided by (used for) non-capital financing activities	<u>\$ 374,943</u>	<u>\$ 3,111,667</u>	<u>\$ (188,248)</u>	<u>\$ 3,298,362</u>
Cash flows from capital and related financing activities:				
Purchase and construction of capital assets	\$ (5,152,326)	\$ -	\$ -	(5,152,326)
Proceeds from long-term indebtedness issued	21,334,060	-	-	21,334,060
Payment to refunded bond escrow agent	(21,137,674)	-	-	(21,137,674)
Principal paid on bonds and notes	(595,000)	-	-	(595,000)
Interest paid on debt	(1,392,091)	-	-	(1,392,091)
Net cash provided by (used for) capital and related financing activities	<u>\$ (6,943,031)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,943,031)</u>
Cash flows from investing activities:				
Interest income	\$ 180,713	\$ -	\$ -	\$ 180,713
Net increase (decrease) in cash and cash equivalents	\$ (1,958,535)	\$ -	\$ (179,046)	\$ (2,137,581)
Cash and cash equivalents at beginning of year	9,909,365	-	389,986	10,299,351
Cash and cash equivalents at end of year	<u>\$ 7,950,830</u>	<u>\$ -</u>	<u>\$ 210,940</u>	<u>\$ 8,161,770</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Cash flows from operations:				
Income (loss) from operations	\$ 3,752,876	\$ (3,108,210)	\$ -	\$ 644,666
Adjustment to reconcile net income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization	1,477,165	265,295	-	1,742,460
Changes in operating accounts:				
(Increase) decrease in:				
Accounts receivable	(742,375)	-	-	(742,375)
Prepaid items	(21,084)	(3,116)	-	(24,200)
Due from other governments	-	(382,917)	-	(382,917)
Increase (decrease) in:				
Accounts payable and accrued liabilities	(454,462)	(5,971)	(90)	(460,523)
Compensated absences	6,122	13,252	-	19,374
Net OPEB activity	15,711	31,421	-	47,132
Net pension activity	49,965	78,579	-	128,544
Customer deposits and other liabilities	344,922	-	9,292	354,214
Net cash provided by (used for) operating activities	<u>\$ 4,428,840</u>	<u>\$ (3,111,667)</u>	<u>\$ 9,202</u>	<u>\$ 1,326,375</u>

The accompanying notes to financial statements are an integral part of this statement.

Statement of Fiduciary Net Position
Fiduciary Funds
At June 30, 2019

Assets

Mutual and money market funds	\$ 127,769,865
Accrued interest	<u>1,463</u>
Total assets	\$ <u><u>127,771,328</u></u>

Net Position

Held in trust for pension benefits	\$ <u><u>127,771,328</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2019

Additions

Plan members and employer contributions	\$ 3,699,966
Investment income:	
Interest and dividends earned on investments	\$ 1,619,221
Net appreciation in fair value of investments	4,216,856
Total investment income	\$ 5,836,077
Less: Investment expenses	839,781
Net investment income	\$ 4,996,296
Total additions	\$ 8,696,262

Deductions

Retirement and disability benefits	\$ 8,442,185
Total deductions	\$ 8,442,185
Change in net position	\$ 254,077
Net position - beginning	127,517,251
Net position - ending	\$ 127,771,328

The accompanying notes to financial statements are an integral part of this statement.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fairfax, Virginia, conform with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

A. Entity and Services

The City of Fairfax, Virginia (the "City") is a political subdivision of the Commonwealth of Virginia. Cities in Virginia are separate from counties, and thus, the City is not part of any other political subdivision. Citizens elect a Mayor and a six-member City Council to two-year terms and a Treasurer and Commissioner of Revenue to four-year terms. The Mayor and the Council appoint a City Manager to act as chief executive.

The City provides the following services: public safety (police and fire), community development (e.g., planning and zoning), public works (e.g., streets), sewage collection, refuse collection, and local bus service. The City contracts with Fairfax County and the Commonwealth of Virginia to provide the following services to its residents: courts, correctional facilities, educational services (in City-owned buildings), welfare, libraries, and sewage treatment.

B. Financial Reporting Entity

As required by GAAP, the accompanying financial statements present the financial data of the City (the Primary Government) and its component units. The financial data of the component units are included in the City's basic financial statements because of the significance of their operational or financial relationships with the City. The City and its component units are together referred to herein as the reporting entity.

Discretely Presented Component Units - Discretely presented component units are reported separate from the primary government to emphasize that they are legally separate from the City. The following organizations have been included in the reporting entity as discretely presented component units:

City of Fairfax School Board - The City of Fairfax School Board is responsible for educating the school age population of the City facilitated through a contractual school services agreement with the County of Fairfax, Virginia. The City of Fairfax School Board consists of five (5) qualified voters of the City elected by popular vote at large. The School Board is fiscally dependent upon the City because the City Council approves the annual budget of the School Board, levies the necessary taxes to finance operations and approves the borrowing of money and issuance of debt. Further, the City is enjoined in the School Service Agreement for tuition under the County contract. The School Board does not issue separate financial statements and, as such, they have been included in these statements. The School Board utilizes an operating and a capital projects fund:

School Operating Fund - This fund is the primary operating fund of the School Board and accounts for and reports all revenues and expenditures applicable to the general operations of the public school system. Revenues are derived primarily from charges for services, appropriations from the City and state and federal grants.

School Bond Renovation Capital Projects Fund - Accounts for and reports financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds or for assets held in trust for individuals, private organizations, or other governments.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

B. Financial Reporting Entity: (Continued)

Industrial Development Authority (IDA) and Economic Development Authority (EDA) - These Authorities have responsibility for encouraging industrial and commercial development in the City and making recommendations to City Council. Each of these Authorities has a Board consisting of seven directors appointed by City Council. Although the Authorities are legally separate, they are fiscally dependent on the City, which also acts as their fiscal agent by paying all their personnel and administrative expenses associated with the Authorities. Separate financial statements are not issued.

Industrial Development Authority Fund - accounts for and reports the general operations of the IDA with financing provided by rental income from owned properties.

Economic Development Authority Fund - accounts for and reports the general operations of the EDA with financing provided through miscellaneous reimbursements.

Other Related Organizations not included in these Financial Statements

Fairfax Volunteer Fire Department, Inc. - Fairfax Volunteer Fire Department, Inc. is organized as a volunteer firefighting organization and is designed as a Fire Company of the City. The Department Chief is the Department Head, appointed by the City Manager, after consultation with the Board of Directors of the Fairfax Volunteer Fire Department, Inc., and with concurrence of City Council. The Department Chief has responsibility and authority for all operations and administration of the Department. The City cannot impose its will on the Volunteer Fire Department or override or modify the decisions of the Board of Directors. The Volunteer Fire Department is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

Historic Fairfax City, Inc. - Historic Fairfax, Inc. - was incorporated in 1983 as a non-profit corporation for the purpose of promoting and preserving historic properties and increasing public awareness and appreciation of the history of the City of Fairfax and the Courthouse area. The Board consists of fourteen (14) members. Five (5) members are appointed by City Council. The Corporation is legally separate, and the City cannot impose its will on the Corporation. The Corporation is fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

Northern Virginia Regional Park Authority - The Northern Virginia Regional Park Authority (NVRPA) was created under the authority of the Code of Virginia, Title 15.1, Chapter 27-Park Authorities Act, for the purpose of planning, acquiring, developing, constructing, operating, and maintaining a system of regional parks within the geographical limits of the political subdivisions composing the said Authority. The bylaws were adopted on February 3, 1959 and amended on April 14, 1965. The NVRPA consists of twelve (12) members. Two (2) members are appointed by City Council. The NVRPA is legally separate and the City cannot impose its will on the NVRPA, which is also fiscally independent and there is no financial benefit or burden relationship with the City. Therefore, it is not included in the City's financial statements.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The focus is on both the City as a whole and the fund financial statements, including the major individual funds of the governmental and proprietary fund categories, as well as the fiduciary funds, (by category) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Position, the governmental activities columns (a) are presented on a consolidated basis and (b) are reflected on a full accrual, economic resource basis, which incorporates long-term assets as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. Operating grants and contributions include operating-specific and discretionary grants while the capital grants column reflects capital-specific grants. Proprietary fund operating revenues consist of charges for services and related revenues. Nonoperating revenues consist of contributions, grants, investment earnings and other revenues not directly derived from the providing of services.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's proprietary funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented to briefly explain the adjustment necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements. The proprietary funds utilize the accrual basis of accounting, where the measurement focus is upon determination of net income.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Government-Wide and Fund Financial Statements: (Continued)

The City's fiduciary funds are two pension trust funds and since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

The following is a brief description of the specific funds used by the City:

Governmental Funds - Account for the expendable financial resources, other than those accounted for in Proprietary and Fiduciary Funds, and utilize the modified accrual basis of accounting, where the measurement focus is upon determination of financial position and changes in financial position, rather than the determination of net income. The individual governmental funds are:

General Fund - The primary operating fund of the City and is used to account for and report all revenues and expenditures applicable to the general operations of the City, which are not accounted for in other funds. Revenues are derived primarily from property and other local taxes, licenses, permits, charges for services, use of money and property, and intergovernmental grants. Many of the more important activities of the City, including operation of the City's general service departments, street and highway maintenance, public safety, parks, cemetery, library and recreation programs, are accounted for in this fund. The General Fund is considered a major fund for financial reporting purposes.

Capital Projects Funds - Account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, except for those financed by proprietary funds. The General Capital Projects Fund is considered a major fund. The Stormwater Fund is reported as a nonmajor fund.

Special Revenue Funds - Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Commercial Transportation Tax Fund, the Legacy for Fairfax Fund and Old Town Fairfax Fund are reported as nonmajor funds.

Proprietary Funds - Account for operations that are financed in a manner similar to private business enterprises wherein the measurement focus is upon determination of net income, net position, and changes in net position. Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City's enterprise funds consist of the following:

Wastewater Fund - This major fund is used to account for the operation and maintenance of the City's sanitary sewer system.

Transportation Fund -- This major fund is used to account for the operation and maintenance of the City's CUE Bus System, which receives funding through grants from the Commonwealth and the Federal government as well as Commercial Transportation Tax Fund transfers and charges for services.

Water Utility Fund - This non-major fund is used to account for the remaining activities after the sale of the City's water system in a prior fiscal year.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

C. Government-Wide and Fund Financial Statements: (Continued)

Fiduciary Funds - Account for assets held by the City in a trustee capacity and utilize the accrual basis of accounting. The following funds are included in this fund type:

City Supplemental Pension Trust Fund - Accounts for pension funds for the City's full-time general employees.

City Firefighters, Policemen, and Policewomen Pension Trust Fund - Accounts for pension funds for the City's full-time public safety personnel.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet in the fund statements. Long-term assets and liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The government-wide Statement of Net Position and Statement of Activities, all proprietary funds, and private purpose trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the Statement of Net Position or on the Statement of Fiduciary Net Position. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net position.

The Statement of Net Position, Statement of Activities, proprietary and fiduciary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

The governmental fund financial statements, for the Primary Government and component units, are maintained and reported on the modified accrual basis of accounting using the current financial resources measurement focus. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectable amounts. Property taxes not collected within 45 days after year-end are reflected as deferred inflows of resources - unavailable revenues taxes. Sales and utility taxes, which are collected by the Commonwealth or utilities and subsequently remitted to the City, are recognized as revenues and receivable upon collection, which is generally one or two months preceding receipt by the City. Licenses, permits, fines, and rents are recorded revenues when received.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

D. Basis of Accounting: (Continued)

Intergovernmental revenues, consisting primarily of Federal, state, and other grants for the purpose of funding specific expenditures, are recognized when the qualifying expenditures have been incurred and all other eligibility requirements have been met. Revenues from general-purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when the City receives cash.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this rule include: (1) accumulated unpaid vacation leave, sick leave, and other employee amounts (e.g., other postemployment benefits), which are recognized when paid, and (2) principal and interest payments on general long-term debt, both of which are recognized when due.

E. Stewardship, Compliance, and Accountability

Budgeting Information

The City Council's fiscal control is exercised through two distinct processes: budgeting and appropriations. The City budget is developed for informative and fiscal planning purposes only and presents an itemized listing of contemplated expenditures and estimated revenues for the ensuing fiscal year. The City Council adopts an annual budget for the General Fund. Budgets for the Capital Projects Funds, Old Town Fairfax Fund, the Commercial Transportation Tax Fund and the Stormwater Fund are prepared annually as part of a five-year plan for capital improvements and represent project-length budgets. Budgets for the enterprise funds serve as a spending guide for the City and do not constitute legally binding limitations.

When the budget becomes effective at the beginning of the fiscal year, the City Council must make appropriations before money may be expended for any budgeted program, project or operation. Appropriations are made on an annual basis with supplemental appropriations made as needed. Such appropriations may be greater than contemplated in the annual budget. All appropriations lapse at year-end.

The City's appropriated budget is prepared by fund and department. Appropriations are legally controlled at the department level. The budget is administratively controlled at the department level. The City Manager may approve all transfers within the same department. All other transfers must be approved by City Council. A supplemental appropriation which exceeds one percent of total expenditures shown in the currently adopted budget must be accomplished by publishing a notice of public hearing in a newspaper having general circulation in the City seven days prior to the hearing. The notice shall state the City's intent to amend the amounts to be appropriated and include a brief synopsis of the proposed action. The City Council approved supplemental appropriations that increased the original budget by \$1,603,917 in the general fund.

The budgets are prepared using the same accounting basis and practices as are used to account for and prepare the financial reports for the fund; thus, the budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

E. Stewardship, Compliance, and Accountability: (Continued)

Budgeting Information: (Continued)

Encumbrance accounting, under which purchase orders and contracts are recorded to commit that portion of the applicable appropriation, is employed as an extension of formal budgetary integration. Encumbrances outstanding at year end are not included as expenditures but are reported as commitments of fund balances in all funds and are reappropriated in the following year. Encumbrances totaled \$2,433,842 for the General Fund as of June 30, 2019.

Excess of expenditures over appropriations

Expenditures exceeded appropriations for the year ended June 30, 2019 as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
City clerk	\$ 196,076	\$ 199,070	\$ (2,994)
City attorney	472,700	482,630	(9,930)
Personnel	774,192	820,248	(46,056)
Finance and accounting	950,744	1,007,871	(57,127)
Retirement	163,400	171,989	(8,589)
Pool maintenance	25,000	29,020	(4,020)
Joint court service	306,667	314,388	(7,721)
Juvenile and domestic relations	557,632	609,241	(51,609)
Concrete maintenance	989,582	1,071,408	(81,826)
Snow and ice removal	304,796	378,181	(73,385)
Facilities maintenance	1,691,658	1,717,146	(25,488)
Street rights of way	1,115,043	1,147,046	(32,003)
Human services coordinator	144,610	167,825	(23,215)
Social services	2,187,404	2,401,032	(213,628)
Special events	865,861	876,830	(10,969)
Parks and ball field maintenance	1,401,007	1,449,985	(48,978)
Library services	863,996	882,920	(18,924)
Current planning	1,086,650	1,108,796	(22,146)
Interest and fiscal charges	4,350,081	4,428,810	(78,729)

F. Cash and Cash Equivalents

For purposes of reporting cash flows for proprietary-type funds, cash and cash equivalents include cash on hand, money market funds, certificates of deposit and investments with maturities of three months or less.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

F. Cash and Cash Equivalents: (Continued)

Cash of individual funds (other than the Industrial Development Authority and the Economic Development Authority) is combined to form a pool of cash and investments. The pool consists primarily of certificates of deposit, repurchase agreements, government and corporate obligations, commercial paper, and the Commonwealth of Virginia’s Local Government Investment Pool (LGIP). All securities are stated at fair value, based on quoted market prices and the investment in the LGIP and SNAP, which operates in accordance with appropriate state laws and regulations, is reported at amortized cost. The reported value of the pool is the same as the fair value of the pool shares. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on month-end balances. All investments are stated at fair value.

G. Inventories and Prepaid Items

Inventory is stated at cost (first-in, first-out), which is not in excess of market value. It consists primarily of operating materials held for consumption and or supplies for repairs and maintenance. Prepaid items are reported on the Consumption Method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

H. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to \$462,324 at June 30, 2019 in the General Fund for property taxes.

Property taxes are levied as of January 1 based on the assessed value of real and personal property as of that date. The City’s legal right to collect property taxes attaches each year when the rates are approved, and the taxes are assessed. Real estate taxes are collectible twice a year, on June 26 and December 5. Personal property taxes are due on October 5. Amounts not collected within 45 days after year-end are reflected as unavailable revenue.

	<u>Real Property</u>	<u>Personal Property</u>
Levy date	January 1	January 1
Due date and collection date	June 26 and December 5	October 5
Lien date for delinquent taxes	3 years from due date	Various

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

I. Capital Assets

Capital outlays are recorded as expenditures of the governmental funds and as assets in the proprietary funds and in the government-wide financial statements to the extent the City's capitalizations threshold is met. The City capitalizes assets which have an initial cost of \$10,000 or more per unit (\$5,000 for assets purchased with Federal monies) and a useable life of two or more years. "Infrastructure" assets (roads, bridges, curbs, gutters, etc.) are capitalized when the initial cost exceeds \$50,000. Repairs and maintenance are charged to operations as they are incurred. Additions and betterments are capitalized. The cost of assets retired, along with accumulated depreciation, are removed from the accounts.

All capital assets are included in the financial statements at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their acquisition value on the date donated.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-50 years
Infrastructure	12-75 years
Wastewater infrastructure	25-50 years
Machinery and equipment	5-25 years
Intangibles	25-32 years

Capital assets having historical significance and being maintained by the City, which are not expected to decrease in value and, are not being depreciated.

J. Compensated Absences

City employees accumulate vacation leave hours for subsequent use up to the maximum of 300 hours per employee. Unused vacation in excess of 300 hours is credited toward sick leave. Sick leave does not vest with the employee and is not accrued; however, unused sick leave is credited toward years of service for retirement purposes.

All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. For governmental fund types, the amount of accumulated unpaid vacation leave which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirement or resignation. For City proprietary funds the cost of vacation and sick leave is recorded as a liability when earned.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources representing a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. One City deferred outflow of resources relates to the amount by which the principal and premium of a refunding bond exceed the net carrying amount of the refunded debt and is being amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows for pensions and OPEB related to differences in expected and actual investment returns, changes in proportion, differences in expected and actual experience, and contributions made subsequent to the measurement date. Differences in expected and actual investment returns are amortized over a closed five-year period. Other deferred outflows, except for contributions subsequent to the measurement date which is recognized in the next fiscal year, are recognized over the average remaining service life of all participants.

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources representing an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources, under the modified accrual basis of accounting, representing property taxes receivable, are reported in the governmental funds' Balance Sheet. This amount is comprised of uncollected property taxes due prior to June 30, 2nd half installments levied during the fiscal year but due after June 30th and amounts prepaid on the 2nd half installments deferred and recognized as an inflow of resources in the period that the amount becomes available. Under the accrual basis, 2nd half installments levied during the fiscal year to fund the next fiscal year and amounts prepaid on the 2nd half installments are reported as deferred inflows of resources. Deferred inflows of resources are also reported for amounts related to pensions and OPEB in the government-wide Statement of Net Position. Actuarial losses resulting from a difference in actual experience and actuarial assumptions are deferred and amortized over the remaining service life of all participants. Differences in expected and actual investment returns are amortized over a closed five-year period.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's and School Board's Retirement Plan and the additions to/deductions from the City's and School Board's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Other Postemployment Benefits (OPEB)

For purposes of measuring the net VRS related OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to the OPEB, and OPEB expense, information about the fiduciary net position of the VRS GLI, and Teacher HIC OPEB Plans and the additions to/deductions from the VRS OPEB Plans' net fiduciary position have been determined on the same basis as they were reported by VRS. In addition, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

N. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums on issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

O. Net Position

Net position is the difference between a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any net outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

P. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Q. Component Unit-School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement of its capital assets. That responsibility lies with the City who issues the debt on behalf of the School Board. However, the Code of Virginia requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

In the Statement of Net Position, this scenario presents a dilemma for the City as debt issued on behalf of the School Board is reported as a liability of the Primary Government, thereby reducing the net position of the City. The corresponding capital assets are reported as assets of the School Board (title holder), thereby increasing its net position.

The Virginia General Assembly amended the Code of Virginia to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

R. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as well as the disclosure of contingent amounts at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

S. Fund Equity

The City reports fund balance in accordance with GAAP, wherein the following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- *Nonspendable Fund Balance* - Amounts that are not in spendable form (such as inventory and prepaids); or are required to be maintained intact (corpus of a permanent fund)
- *Restricted Fund Balance* - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- *Committed Fund Balance* - Amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority (e.g., Council ordinance); to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- *Assigned Fund Balance* - Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority, and
- *Unassigned Fund Balance* - Amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

S. Fund Equity: (Continued)

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). In accordance with City policy, assigned fund balance is established by City Council or the Assistant City Manager/Director of Finance as amounts intended for specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

	General Fund	General Capital Projects Fund	Other Governmental Funds	Total
Fund Balances:				
Nonspendable:				
Inventory	\$ 831,278	\$ -	\$ -	\$ 831,278
Prepays	611,750	319,793	88,719	1,020,262
Total Nonspendable Fund Balance	\$ 1,443,028	\$ 319,793	\$ 88,719	\$ 1,851,540
Restricted:				
Grants	\$ 522,188	\$ 102,769	\$ -	\$ 624,957
Legacy for fairfax donations	-	-	383,190	383,190
Debt proceeds	11,284,954	65,429	-	11,350,383
Other purposes	8,060	156,650	-	164,710
Total Restricted Fund Balance	\$ 11,815,202	\$ 324,848	\$ 383,190	\$ 12,523,240
Committed:				
Kamp Washington improvements	\$ -	\$ 193,329	\$ -	\$ 193,329
Street repaving	-	1,077,017	-	1,077,017
Total Committed Fund Balance	\$ -	\$ 1,270,346	\$ -	\$ 1,270,346
Assigned:				
Equipment replacement/maintenance	\$ 112,753	\$ -	\$ -	\$ 112,753
Contract services	78,080	-	-	78,080
Capital projects	-	10,013,437	5,405,845	15,419,282
Other purposes	17,195	-	-	17,195
Total Assigned Fund Balance	\$ 208,028	\$ 10,013,437	\$ 5,405,845	\$ 15,627,310
Unassigned Fund Balance	\$ 17,841,003	\$ -	\$ -	\$ 17,841,003
Total Fund Balances	\$ 31,307,261	\$ 11,928,424	\$ 5,877,754	\$ 49,113,439

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

T. Adoption of Accounting Principles

The City implemented the financial reporting provisions of Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* during the fiscal year ended June 30, 2019. This Statement clarifies which liabilities governments should include when disclosing information related to debt. It also requires that additional essential information related to debt be disclosed in notes to financial statements. No restatement was required as a result of this implementation.

The City early implemented provisions of Governmental Accounting Standards Board Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* during the fiscal year ended June 30, 2019. This Statement simplifies accounting for interest cost incurred before the end of a construction period. Interest cost incurred during construction is expensed and no longer capitalized as part of project costs. No restatement was required as a result of this implementation.

NOTE 2—DEPOSITS AND INVESTMENTS

Deposits - Deposits with banks are covered by the Federal Deposit Insurance Corporation (“FDIC”) and collateralized in accordance with the Virginia Security for Public Deposits Act (the “Act”) Section 2.2- 4400 et. seq. of the Code of Virginia. Under the Act, banks and savings institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits are considered fully collateralized.

Investment Policy - State statutes and the City’s investment policy authorize local governments and other public bodies to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (“World Bank”), the Asian Development Bank, the African Development Bank, “prime quality” commercial paper and certain corporate notes, bankers’ acceptances, repurchase agreements, certificates of deposit or savings accounts that are Virginia qualified depositories, mutual funds, the State non-arbitrage pool (SNAP) and the LGIP.

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Sec. 2.2-4605 of the Code of Virginia, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at its regularly scheduled monthly meetings.

Investment in SNAP is used to assist in avoiding arbitrage penalties enacted with the Tax Reform Act of 1986. Sections 2.2-4700 through 2.2-4705 of the Code of Virginia, the Government Non-Arbitrage Investment Act, authorizes the Virginia Treasury Board to provide assistance to the Commonwealth of Virginia, counties, cities, and towns in the Commonwealth, and to their agencies, institutions and authorities of any combination of the foregoing (“Virginia governments”) in the management of and accounting for their bond funds, including, without limitation, bond proceeds, reserves, and sinking funds, and the investment thereof.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

The policies and standards that regulate specific investments and the composition of the investment portfolio shall include, but not be limited to, the following:

- No investment shall be purchased if the yield is less than that of the most recently auctioned issue of the United States Treasury of a similar term.
- At no time shall more than 35% of the portfolio be invested in commercial paper.
- No more than 10% of the portfolio shall be invested in the commercial paper of a single entity.
- At no time shall the aggregate dollar amount of securities with maturity dates in excess of six months exceed 10% of the total budget of the City for the current fiscal year.
- The Treasurer shall avoid an excessive concentration in any type of investment and an excessive number of investment transactions with any financial institution or broker/dealer.
- The Treasurer shall use the average of the three-month Treasury bill auctions for a quarter as a benchmark for the return on the investment portfolio.

The Treasury may direct SNAP to invest bond proceeds in securities with maturities greater than one year if it is determined that such bond proceeds will be redeemed more than one year in the future. Further, investments of \$500,000 or more must be selected on a competitive basis. The Treasurer may purchase or sell investments at his discretion without competition provided that the securities involved meet all the criteria for allowed investments and do not exceed \$500,000. Consideration for the safety of capital shall be paramount over the probable income to be derived. There are also certain standards of “adequacy” and “appropriateness” set by the Treasurer, in addition to the credit worthiness of an institution that must be considered.

Credit Risk of Debt Securities - As required by state statute, the Policy requires that commercial paper have a short-term debt rating of no less than “A-1” (or its equivalent) from at least two of the following; Moody’s Investors Service, Standard & Poor’s and Fitch Investor’s Service. Corporate notes, negotiable Certificates of Deposit and bank deposit notes maturing in less than one year must have a short-term debt rating of at least “A-1” by Standard & Poor’s and “P-1” by Moody’s Investor Service. Notes having a maturity of greater than one year must be rated “AA” by Standard & Poor’s and “Aa” by Moody’s Investor Service.

City's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings	
	AAAm	AA+
U.S. Agencies	\$ -	\$ 4,107,778
U.S. Treasuries	-	10,781,164
Corporate Bonds	-	249,667
Local Government Investment Pool	18,800,374	-
Money Market Mutual Funds	866,462	-
SNAP	13,609,906	-
Total	\$ 33,276,742	\$ 15,138,609

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

External Investment Pools

The value of the positions in the external investment pool (Local Government Investment Pool) is the same as the value of the pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Concentration of Credit Risk - Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government’s investment in a single issuer. If certain investments in any one issuer represent 5% of total investments, there must be a disclosure for the amount and issuer. At June 30, 2019, no portion of the City’s portfolio, excluding the LGIP, SNAP, and U.S. Government money market mutual funds, exceeded 5% of the total portfolio.

Interest Rate Risk - Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. As a means of limiting exposure to fair value losses arising from rising interest rates, the City’s policy limits the investment of operating funds to investments with a stated maturity of no more than two years from the date of purchase.

Investment Type	Investment Maturities			
	Fair Value	Less Than 1 Year	1-5 Years	Greater Than 10 Years
U.S. Agencies	\$ 4,107,778	\$ 174,327	\$ 3,253,640	\$ 679,811
Corporate Bonds	249,667	249,667	-	-
Local Government Investment Pool	18,800,374	18,800,374	-	-
SNAP	13,609,906	13,609,906	-	-
U.S. Treasuries	10,781,164	4,970,601	5,810,563	-
Total	<u>\$ 47,548,889</u>	<u>\$ 37,804,875</u>	<u>\$ 9,064,203</u>	<u>\$ 679,811</u>

Fair Value Measurements - The City categorizes their fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, level 2 inputs are quoted prices in active markets for similar assets, and level 3 inputs are unobservable inputs. The City gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 2—DEPOSITS AND INVESTMENTS: (CONTINUED)

Investments that are measured at fair value using amortized cost in determining the net asset value per share are not classified in the fair value hierarchy.

The City has the following recurring fair value measurements at June 30, 2019:

Investment	June 30, 2019	Fair Value Measure Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices In Active Markets for Similar Assets Level (2)	Unobservable Inputs Level (3)
U.S. Agencies	\$ 4,107,778	\$ 4,107,778	\$ -	\$ -
U.S. Treasuries	10,781,164	10,781,164	-	-
Corporate Bonds	249,667	249,667	-	-
Money Market Mutual Funds	866,462	866,462	-	-
Total	\$ 16,005,071	\$ 16,005,071	\$ -	\$ -

The City's fiduciary funds had the following recurring fair value measurements at June 30, 2019:

Investment	June 30, 2019	Fair Value Measure Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Quoted Prices In Active Markets for Similar Assets Level (2)	Unobservable Inputs Level (3)
Mutual and money market funds	\$ 127,769,865	\$ 77,665,286	\$ 50,104,579	\$ -

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 3—RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The City determines its allowances using historical collection data, specific account analysis and management’s judgment. Receivables at June 30, 2019 for the City’s individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

Primary Government

	<u>General Fund</u>	<u>Wastewater Fund</u>	<u>Totals</u>
Property taxes	\$ 35,924,258	\$ -	\$ 35,924,258
Trade and other accounts	<u>1,548,238</u>	<u>2,238,232</u>	<u>3,786,470</u>
Gross receivables	\$ 37,472,496	\$ 2,238,232	\$ 39,710,728
Less allowance for uncollectible accounts	<u>(462,324)</u>	<u>-</u>	<u>(462,324)</u>
Net receivables	<u>\$ 37,010,172</u>	<u>\$ 2,238,232</u>	<u>\$ 39,248,404</u>

Governmental funds report deferred/unavailable/unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred/unavailable revenue and unearned revenue reported were as follows:

	<u>Unavailable/Unearned</u>	
	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Property taxes receivable	\$ 34,205,184	\$ 34,792,343
Prepaid property taxes	666,869	666,869
Other	<u>1,754,986</u>	<u>1,754,986</u>
Total	<u>\$ 36,627,039</u>	<u>\$ 37,214,198</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 3—RECEIVABLES AND ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS: (CONTINUED)

Primary Government: (Continued)

Amounts due from other governments include the following:

	<u>Governmental Activities</u>			<u>Business-type</u>	<u>Total</u>	<u>Component</u>
	<u>General</u>	<u>Capital</u>	<u>Old Town</u>	<u>Transportation</u>		
	<u>Projects</u>	<u>Fairfax</u>	<u>Fund</u>	<u>Fund</u>	<u>Primary</u>	<u>Unit</u>
	<u>Fund</u>	<u>Fund</u>			<u>Government</u>	<u>School</u>
						<u>Board</u>
Commonwealth of Virginia:						
Local sales tax	\$ 2,061,803	\$ -	\$ -	\$ -	\$ 2,061,803	\$ -
Communication sales tax	307,713	-	-	-	307,713	-
State sales tax	-	-	-	-	-	430,498
Other	19,305	5,537,413	-	-	5,556,718	389,297
Federal government	69,475	57,062	6,088	-	132,625	-
County of Fairfax	694,631	-	-	-	694,631	-
Northern Virginia						
Transportation Commission	-	24,175	-	610,917	635,092	-
District Court	64,905	-	-	-	64,905	-
Other	-	-	-	750,000	750,000	-
Total	\$ 3,217,832	\$ 5,618,650	\$ 6,088	\$ 1,360,917	\$ 10,203,487	\$ 819,795

NOTE 4—DUE TO/FROM PRIMARY GOVERNMENT BALANCES, ADVANCES AND TRANSFERS:

Interfund receivables and payables related to working capital loans at June 30, 2019 are as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 1,591,004	\$ -
Transportation Fund	-	1,591,004
Total	\$ 1,591,004	\$ 1,591,004

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 4—DUE TO/FROM PRIMARY GOVERNMENT BALANCES, ADVANCES AND TRANSFERS: (CONTINUED)

A summary of interfund activity is presented as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 6,897	\$ 11,642,993
Capital Projects Fund	13,187,635	-
Old Town Fairfax Fund	-	6,897
Commercial Transportation Tax Fund	2,391,344	8,071,282
Stormwater Fund	1,839,877	-
Water Utility Fund	-	188,248
Transportation Fund	2,483,667	-
Totals	<u>\$ 19,909,420</u>	<u>\$ 19,909,420</u>

The transfer from the General Fund to the General Capital Projects Fund, Stormwater Fund and Old Town Fairfax Fund and from the Commercial Transportation Tax Fund to the Capital Projects Fund are for the City's annual support of capital project expenditures. The transfer from the General Fund to the Commercial Transportation Tax Fund is to transfer tax revenues. The transfer from the Commercial Transportation Tax Fund to the Transportation Fund is to fund transportation expenditures.

NOTE 5—INVENTORY:

At June 30, 2019, the City has inventory recorded in the General Fund (\$831,278 of expendable supplies) and Economic Development Authority (\$862,594 of land and building held for resale).

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CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 6—CAPITAL ASSETS:

The following is a summary of capital asset activity for the year ended June 30, 2019:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
Primary Government:				
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 50,809,431	\$ 3,284,337	\$ -	\$ 54,093,768
Construction in progress	45,057,092	19,859,774	6,133,750	58,783,116
Total capital assets, not being depreciated	<u>\$ 95,866,523</u>	<u>\$ 23,144,111</u>	<u>\$ 6,133,750</u>	<u>\$ 112,876,884</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 57,270,299	\$ 40,205	\$ -	\$ 57,310,504
Machinery and equipment	29,947,933	1,866,278	1,226,217	30,587,994
Jointly owned assets	68,411,012	-	2,776,816	65,634,196
Infrastructure	52,733,987	1,567,475	-	54,301,462
Total capital assets being depreciated	<u>\$ 208,363,231</u>	<u>\$ 3,473,958</u>	<u>\$ 4,003,033</u>	<u>\$ 207,834,156</u>
Accumulated depreciation:				
Buildings and improvements	\$ 18,372,519	\$ 1,557,019	\$ -	\$ 19,929,538
Machinery and equipment	19,834,668	1,788,670	580,906	21,042,432
Jointly owned assets	39,664,452	3,339,102	1,476,578	41,526,976
Infrastructure	22,354,563	1,090,079	-	23,444,642
Total accumulated depreciation	<u>\$ 100,226,202</u>	<u>\$ 7,774,870</u>	<u>\$ 2,057,484</u>	<u>\$ 105,943,588</u>
Total capital assets being depreciated, net	<u>\$ 108,137,029</u>	<u>\$ (4,300,912)</u>	<u>\$ 1,945,549</u>	<u>\$ 101,890,568</u>
Governmental activities capital assets, net	<u>\$ 204,003,552</u>	<u>\$ 18,843,199</u>	<u>\$ 8,079,299</u>	<u>\$ 214,767,452</u>
Business-type Activities:				
Wastewater Fund:				
Capital assets, not being depreciated:				
Land and land improvements	\$ 17,583	\$ -	\$ -	\$ 17,583
Construction in Progress	4,509,226	1,085,698	171,140	5,423,784
Total capital assets, not being depreciated	<u>\$ 4,526,809</u>	<u>\$ 1,085,698</u>	<u>\$ 171,140</u>	<u>\$ 5,441,367</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,264,570	\$ -	\$ -	\$ 1,264,570
Machinery and equipment	1,922,470	69,197	12,530	1,979,137
Intangibles	25,369,630	4,181,101	-	29,550,731
Infrastructure	8,228,776	-	-	8,228,776
Total capital assets being depreciated, net	<u>\$ 36,785,446</u>	<u>\$ 4,250,298</u>	<u>\$ 12,530</u>	<u>\$ 41,023,214</u>
Accumulated depreciation:				
Buildings and improvements	\$ 279,993	\$ 25,291	\$ -	\$ 305,284
Machinery and equipment	1,608,636	107,838	-	1,716,474
Intangibles	6,068,659	1,211,717	-	7,280,376
Infrastructure	5,715,608	132,319	-	5,847,927
Total accumulated depreciation	<u>\$ 13,672,896</u>	<u>\$ 1,477,165</u>	<u>\$ -</u>	<u>\$ 15,150,061</u>
Total capital assets being depreciated, net	<u>\$ 23,112,550</u>	<u>\$ 2,773,133</u>	<u>\$ 12,530</u>	<u>\$ 25,873,153</u>
Net capital assets	<u>\$ 27,639,359</u>	<u>\$ 3,858,831</u>	<u>\$ 183,670</u>	<u>\$ 31,314,520</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
Transportation Fund:				
Capital assets being depreciated:				
Buildings and improvements	\$ 226,958	\$ -	\$ -	\$ 226,958
Machinery and equipment	3,274,346	-	-	3,274,346
Total capital assets being depreciated	<u>\$ 3,501,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,501,304</u>
Accumulated depreciation:				
Buildings and improvements	\$ 63,547	\$ 4,540	\$ -	\$ 68,087
Machinery and equipment	1,389,190	260,755	-	1,649,945
Total accumulated depreciation	<u>\$ 1,452,737</u>	<u>\$ 265,295</u>	<u>\$ -</u>	<u>\$ 1,718,032</u>
Total capital assets being depreciated, net	<u>\$ 2,048,567</u>	<u>\$ (265,295)</u>	<u>\$ -</u>	<u>\$ 1,783,272</u>
Net capital assets	<u><u>\$ 2,048,567</u></u>	<u><u>\$ (265,295)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,783,272</u></u>
Discretely Presented Component Unit-School Board:				
Capital assets, not being depreciated:				
Land	\$ 1,381,115	\$ -	\$ -	\$ 1,381,115
Construction in progress	19,829	-	-	19,829
Total capital assets, not being depreciated	<u>\$ 1,400,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,400,944</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 48,305,691	\$ 2,776,816	\$ -	\$ 51,082,507
Machinery and equipment	1,444,541	-	44,299	1,400,242
Total capital assets being depreciated	<u>\$ 49,750,232</u>	<u>\$ 2,776,816</u>	<u>\$ 44,299</u>	<u>\$ 52,482,749</u>
Accumulated depreciation:				
Buildings and improvements	\$ 28,007,462	\$ 4,620,877	\$ -	\$ 32,628,339
Machinery and equipment	1,049,907	75,375	44,299	1,080,983
Total accumulated depreciation	<u>\$ 29,057,369</u>	<u>\$ 4,696,252</u>	<u>\$ 44,299</u>	<u>\$ 33,709,322</u>
Total capital assets being depreciated, net	<u>\$ 20,692,863</u>	<u>\$ (1,919,436)</u>	<u>\$ -</u>	<u>\$ 18,773,427</u>
School Board capital assets, net	<u><u>\$ 22,093,807</u></u>	<u><u>\$ (1,919,436)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 20,174,371</u></u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 6—CAPITAL ASSETS: (CONTINUED)

Depreciation expense was charged to functions / programs as follows:

Primary government:	
Governmental activities:	
General government administration	\$ 594,221
Public safety	482,769
Public works	2,342,016
Education	3,339,102
Parks, recreation and cultural	<u>1,006,140</u>
Total governmental activities	<u>\$ 7,764,248</u> (1)
(1) Depreciation expense	\$ 7,764,248
Accumulated depreciation on transfer	<u>10,622</u>
Total increase in accumulated depreciation, page 69	<u>\$ 7,774,870</u>
Business-type activities:	
Wastewater	\$ 1,477,165
Transportation	<u>265,295</u>
Total business-type activities	<u>\$ 1,742,460</u>
Component Unit-School Board:	<u>\$ 3,219,674</u> (2)
Education	
(2) Depreciation expense	\$ 3,219,674
Accumulated depreciation on Joint tenancy transfer	<u>1,476,578</u>
Total increase in accumulated depreciation, page 70	<u>\$ 4,696,252</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS:

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2019:

	Balance at June 30, 2018 <u>As Restated</u>	Issuances/ Increases	Retirements/ Decreases	Balance at June 30, 2019	Amounts Due Within One Year
Governmental Activities:					
Public offerings:					
General obligation bonds	\$ 55,430,000	\$ -	\$ 3,520,000	\$ 51,910,000	\$ 4,095,000
Direct borrowings and placements:					
General obligation bonds	21,718,000		247,000	21,471,000	249,000
Lease revenue bonds	36,433,000	-	2,320,000	34,113,000	2,133,000
Public Improvement COPS	11,361,000	-	176,000	11,185,000	201,000
Notes payable	5,720,000		535,000	5,185,000	545,000
Capital leases	4,718,611	961,000	1,158,523	4,521,088	1,060,013
Compensated absences	2,606,719	999,308	991,224	2,614,803	392,000
Net pension liability	50,962,377	28,679,373	22,216,437	57,425,313	-
Net OPEB liability	13,234,222	3,401,834	493,537	16,142,519	-
Premiums on bonds payable	6,154,784	-	481,585	5,673,199	481,585
Total	<u>\$ 208,338,713</u>	<u>\$ 34,041,515</u>	<u>\$ 32,139,306</u>	<u>\$ 210,240,922</u>	<u>\$ 9,156,598</u>
Business-type Activities:					
Wastewater Fund:					
Direct borrowings and placements:					
Lease revenue bonds	\$ 21,985,000	\$ 19,205,000	\$ 20,700,000	\$ 20,490,000	\$ 625,000
Premium on bonds payable	529,805	2,129,060	529,805	2,129,060	96,775
Net pension liability	681,184	414,902	312,571	783,515	-
Net OPEB liability	281,579	72,379	10,500	343,458	-
Compensated absences	44,398	16,300	10,178	50,520	2,406
Total	<u>\$ 23,521,966</u>	<u>\$ 21,837,641</u>	<u>\$ 21,563,054</u>	<u>\$ 23,796,553</u>	<u>\$ 724,181</u>
Transportation Fund:					
Net pension liability	\$ 1,819,346	\$ 1,094,952	\$ 831,072	\$ 2,083,226	\$ -
Net OPEB liability	563,159	144,759	21,002	686,916	-
Compensated absences	132,721	65,714	52,462	145,973	14,100
Total	<u>\$ 2,515,226</u>	<u>\$ 1,305,425</u>	<u>\$ 904,536</u>	<u>\$ 2,916,115</u>	<u>\$ 14,100</u>
Total Business-type Activities	<u>\$ 26,037,192</u>	<u>\$ 23,143,066</u>	<u>\$ 22,467,590</u>	<u>\$ 26,712,668</u>	<u>\$ 738,281</u>
Discretely Presented Component Units:					
School Board:					
Net pension liability	\$ 148,000	\$ 30,000	\$ 37,000	\$ 141,000	\$ -
Net OPEB liability	23,000	1,000	1,000	23,000	-
Compensated absences	29,517	14,286	3,447	40,356	2,018
Total School Board	<u>\$ 200,517</u>	<u>\$ 45,286</u>	<u>\$ 41,447</u>	<u>\$ 204,356</u>	<u>\$ 2,018</u>

General Fund revenues are used to pay all long-term general obligation debt, capital leases, net OPEB liability, and compensated absences. School Fund revenues and appropriations from the General Fund are used to pay its compensated absences.

For information related to the legal debt limit and the amount of debt the City can still issue without violating the limit see statistical table 12.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Annual requirement to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Governmental Activities											
	Public Offerings		Direct Borrowings and Placements									
	General Obligation Bonds		General Obligation Bonds		Public Facility Lease Revenue Bonds		COPS		Notes Payable		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 4,095,000	\$ 1,864,282	\$ 249,000	\$ 367,851	\$ 2,133,000	\$ 1,413,143	\$ 201,000	\$ 290,810	\$ 545,000	\$ 115,650	\$ 1,060,013	\$ 96,864
2021	4,290,000	1,673,156	252,000	363,607	2,217,000	1,329,904	206,000	285,584	560,000	102,993	753,409	76,488
2022	2,645,000	1,500,056	1,577,000	359,308	2,308,000	1,248,916	723,000	280,228	570,000	90,046	576,381	61,768
2023	2,750,000	1,391,631	1,608,000	330,873	2,372,000	1,166,344	742,000	261,430	585,000	76,809	592,230	49,320
2024	1,380,000	1,288,382	1,641,000	294,004	2,468,000	1,074,365	560,000	242,138	595,000	63,280	410,679	36,496
2025	1,455,000	1,217,506	1,666,000	274,708	2,568,000	975,961	574,000	227,578	615,000	49,410	258,470	26,762
2026	1,480,000	1,144,131	1,779,000	263,500	2,747,000	872,601	589,000	212,654	325,000	38,347	268,960	19,700
2027	1,550,000	1,068,382	1,808,000	231,122	2,850,000	768,479	605,000	197,340	335,000	30,196	280,760	12,354
2028	-	1,029,631	3,568,000	198,216	1,775,000	671,428	620,000	181,610	345,000	21,798	155,870	6,755
2029	-	1,029,631	3,627,000	133,279	1,855,000	589,309	637,000	165,490	350,000	13,215	164,316	2,964
2030	-	1,029,631	3,696,000	67,267	1,945,000	497,484	802,000	148,928	360,000	4,444	-	-
2031	4,515,000	1,029,631	-	-	2,050,000	395,113	659,000	128,076	-	-	-	-
2032	4,700,000	849,031	-	-	2,160,000	287,231	671,000	110,942	-	-	-	-
2033	4,845,000	708,031	-	-	2,275,000	173,584	683,000	93,496	-	-	-	-
2034	4,980,000	562,681	-	-	2,390,000	57,644	700,000	75,738	-	-	-	-
2035	5,140,000	413,281	-	-	-	-	719,000	57,538	-	-	-	-
2036	5,295,000	252,656	-	-	-	-	737,000	38,844	-	-	-	-
2037	2,790,000	87,188	-	-	-	-	757,000	19,682	-	-	-	-
Total	\$ 51,910,000	\$ 18,138,922	\$ 21,471,000	\$ 2,883,735	\$ 34,113,000	\$ 11,521,506	\$ 11,185,000	\$ 3,018,106	\$ 5,185,000	\$ 606,188	\$ 4,521,088	\$ 389,468

Details of Long-Term Obligations—Primary Government:

Governmental Activities:

General Obligation Bonds:

\$32,480,000 refunding bonds issued March 25, 2010 due in annual maturities of \$110,000 to \$3,520,000 beginning July 15, 2010 through July 15, 2026, plus interest at 1.75% to 5.0% \$ 16,225,000

\$35,685,000 refunding bonds issued September 26, 2012 due in periodic maturities of \$1,675,000 to \$5,295,000 beginning January 15, 2020 through January 15, 2037, interest due semiannually ranging from 3.00% to 4.00% 35,685,000

\$18,871,000 refunding bonds issued August 2016, due in periodic maturities of \$175,000 to \$3,730,000 beginning January 15, 2017 through January 15, 2030, interest due semiannually at 1.82% 18,318,000

\$3,235,000 refunding bonds issued August 2016, due in periodic maturities of \$41,000 to \$1,505,000 beginning July 15, 2017 through July 15, 2024, interest due semiannually at 1.1% 3,153,000

Total General Obligation Bonds \$ 73,381,000

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations—Primary Government: (Continued)

Governmental Activities: (Continued)

Lease Revenue Bonds:

\$96,000 to \$577,000 beginning July 15, 2017 through January 15, 2027, interest at 2.14% \$ 8,183,000

\$33,105,000 lease revenue bonds dated June 2012, due in annual maturities of \$910,000 to \$2,390,000 beginning October 1, 2012 through October 1, 2033, interest at 2.125% to 5.125% 25,930,000

Total Lease Revenue Bonds \$ 34,113,000

Notes Payable:

\$7,250,000 financing lease agreement dated April 2014, due in annual maturities of \$325,000 to \$615,000 through August 1, 2029, interest payable semi-annually at 2.10% to 2.47% \$ 5,185,000

Public Improvement Certificates of Participation:

\$11,361,000 Public Improvement certificate of participation, due in semi-annual maturities of \$176,000 to \$757,000 through January 1, 2037, interest payable semi-annually at 2.60% \$ 11,185,000

Capital Leases:

\$1,235,430 capital lease for tower fire truck due in annual maturities of \$166,351 through 2024, including interest at 1.81% \$ 788,510

\$954,050 capital lease for various equipment due in annual maturities of \$196,130 through 2021, including interest at 1.37% 384,370

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations—Primary Government: (Continued)

Governmental Activities: (Continued)

Capital Leases: (Continued)

\$948,100 capital lease for financing the acquisition of equipment, due in annual maturities of \$198,781 through July 2023, including interest at 1.742%.	\$ 761,406
\$961,000 capital lease for financing turf and equipment, due in various annual maturities through July 2026, including interest at 3.010%	961,000
\$1,300,000 capital lease for financing the acquisition of equipment, due in annual maturities of \$222,673 through July 2018, including interest at 1.26%	325,302
\$1,708,450 capital lease for financing energy efficient improvements, due in various semi-annual maturities through January 2029, including interest at 2.40%	<u>1,300,500</u>
Total Capital Leases	\$ <u>4,521,088</u>
Compensated absences	\$ <u>2,614,803</u>
Net OPEB liability	\$ <u>16,142,519</u>
Net pension liability	\$ <u>57,425,313</u>
Premium on bonds payable	\$ <u>5,673,199</u>
Total governmental activities	\$ <u><u>210,240,922</u></u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations—Primary Government: (Continued)

Annual requirements to amortize enterprise funds long-term obligations and related interest (excluding premiums) are as follows:

Year Ending June 30,	Business-type Activities	
	Direct Borrowings and Placements	
	Lease Revenue Bonds	
	Principal	Interest
2020	\$ 625,000	\$ 784,923
2021	660,000	797,004
2022	600,000	764,469
2023	630,000	732,950
2024	665,000	699,766
2025	695,000	664,916
2026	735,000	628,272
2027	775,000	589,578
2028	815,000	548,834
2029	850,000	506,169
2030	900,000	461,325
2031	945,000	414,047
2032	990,000	364,463
2033	1,040,000	315,594
2034	1,080,000	276,634
2035	1,110,000	244,806
2036	1,140,000	211,125
2037	1,175,000	175,969
2038	1,210,000	139,219
2039	1,245,000	100,859
2040	1,280,000	61,406
2041	1,325,000	20,702
Total	\$ <u>20,490,000</u>	\$ <u>9,503,030</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 7—LONG-TERM OBLIGATIONS: (CONTINUED)

Details of Long-Term Obligations—Primary Government: (Continued)

Business-Type Activities:

Business-type Activities:

Lease Revenue Bonds:

\$24,080,000 lease revenue bonds issued November 2010, due in annual maturities ranging from \$485,000 to \$1,435,000 through October 2040, plus interest ranging from 1.245% to 6.142% \$ 1,285,000

\$19,205,000 VRA revenue refunding bonds issued May 2019, due in annual maturities ranging from \$600,000 to \$1,325,000 through October 2040, plus interest ranging from 2.863% to 5.125% 19,205,000

Total Lease Revenue Bonds \$ 20,490,000

Compensated absences \$ 196,493

Net OPEB liability \$ 1,030,374

Net pension liability \$ 2,866,741

Premium on bonds payable \$ 2,129,060

Total business-type activities \$ 26,712,668

NOTE 8—PENSION PLANS:

Plan Description

All full-time, salaried permanent employees of the City and (nonprofessional) employees of public school divisions are automatically covered by a VRS Retirement Plan upon employment. This is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

NOTE 8—PENSION PLANS:

Benefit Structures

The System administers three different benefit structures for covered employees - Plan 1, Plan 2 and Hybrid. Each of these benefit structures has different eligibility criteria, as detailed below.

- a. Employees hired before July 1, 2010, vested as of January 1, 2013, and have not taken a refund, are covered under Plan 1, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced retirement benefit beginning at age 65 with at least 5 years of creditable service or age 50 with at least 30 years of creditable service. Non-hazardous duty employees may retire with a reduced benefit as early as age 55 with at least 5 years of creditable service or age 50 with at least 10 years of creditable service. Hazardous duty employees (law enforcement officers, firefighters, and sheriffs) are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- b. Employees hired on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013 are covered under Plan 2, a defined benefit plan. Non-hazardous duty employees are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service or when the sum of their age and service equals 90. Non-hazardous duty employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. Hazardous duty employees are eligible for an unreduced benefit beginning at age 60 with at least 5 years of creditable service or age 50 with at least 25 years of creditable service. Hazardous duty employees may retire with a reduced benefit as early as age 50 with at least 5 years of creditable service.
- c. Non-hazardous duty employees hired on or after January 1, 2014 are covered by the Hybrid Plan combining the features of a defined benefit plan and a defined contribution plan. Plan 1 and Plan 2 members also had the option of opting into this plan during the election window held January 1 - April 30, 2014 with an effective date of July 1, 2014. Employees covered by this plan are eligible for an unreduced benefit beginning at their normal social security retirement age with at least 5 years of creditable service, or when the sum of their age and service equal 90. Employees may retire with a reduced benefit as early as age 60 with at least 5 years of creditable service. For the defined contribution component, members are eligible to receive distributions upon leaving employment, subject to restrictions.

NOTE 8—PENSION PLANS: (CONTINUED)***Average Final Compensation and Service Retirement Multiplier***

The VRS defined benefit is a lifetime monthly benefit based on a retirement multiplier as a percentage of the employee's average final compensation multiplied by the employee's total creditable service. Under Plan 1, average final compensation is the average of the employee's 36 consecutive months of highest compensation and the multiplier is 1.7% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under Plan 2, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the retirement multiplier is 1.65% for non-hazardous duty employees, 1.85% for sheriffs and regional jail superintendents, and 1.7% or 1.85% for hazardous duty employees as elected by the employer. Under the Hybrid Plan, average final compensation is the average of the employee's 60 consecutive months of highest compensation and the multiplier is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.

Cost-of-Living Adjustment (COLA) in Retirement and Death and Disability Benefits

Retirees with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service are eligible for an annual COLA beginning July 1 after one full calendar year from the retirement date. Retirees with a reduced benefit and who have less than 20 years of creditable service are eligible for an annual COLA beginning on July 1 after one calendar year following the unreduced retirement eligibility date. Under Plan 1, the COLA cannot exceed 5.00%. Under Plan 2 and the Hybrid Plan, the COLA cannot exceed 3.00%. The VRS also provides death and disability benefits. Title 51.1 of the Code of Virginia, as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

Employees Covered by Benefit Terms

As of the June 30, 2017 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Primary Government
Inactive members or their beneficiaries currently receiving benefits	330
Inactive members:	
Vested inactive members	70
Non-vested inactive members	46
Long-term disability (LTD)	-
Inactive members active elsewhere in VRS	69
Total inactive members	185
Active members	371
Total covered employees	886

NOTE 8—PENSION PLANS: (CONTINUED)

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement

The City's contractually required employer contribution rate for the year ended June 30, 2019 was 12.39% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the City were \$3,545,470 and \$3,580,557 for the years ended June 30, 2019 and June 30, 2018, respectively.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each employer and represents that particular employer's total pension liability determined in accordance with GASB Statement No. 68, less that employer's fiduciary net position. The City's net pension liability was measured as of June 30, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2017, and rolled forward to the measurement date of June 30, 2018.

Actuarial Assumptions - General Employees

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.35%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

Mortality rates:

Largest 10 - Non-Hazardous Duty: 20% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

All Others (Non 10 Largest) - Non-Hazardous Duty: 15% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 95% of rates; females 105% of rates.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 3 years; females 1.0% increase compounded from ages 70 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years, 110% of rates; females 125% of rates.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Actuarial Assumptions - General Employees (Continued)

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits

The total pension liability for Public Safety employees with Hazardous Duty Benefits in the City’s Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 4.75%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates:

Largest 10 - Hazardous Duty: 70% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)

Mortality rates: (Continued)

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

All Others (Non 10 Largest) - Hazardous Duty: 45% of deaths are assumed to be service related

Pre-Retirement:

RP-2014 Employee Rates to age 80, Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020; males 90% of rates; females set forward 1 year.

Post-Retirement:

RP-2014 Employee Rates to age 49, Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males set forward 1 year, 1.0% increase compounded from ages 70 to 90; females set forward 3 years.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; males set forward 2 years; unisex using 100% male.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

NOTE 8—PENSION PLANS: (CONTINUED)

Actuarial Assumptions - Public Safety Employees with Hazardous Duty Benefits: (Continued)

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
		*Expected arithmetic nominal return	<u>7.30%</u>

* The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Consistent with the phased-in funding provided by the General Assembly for state and teacher employer contributions; the City) was also provided with an opportunity to use an alternative employer contribution rate. For the year ended June 30, 2018, the alternate rate was the employer contribution rate used in FY 2012 or 90% of the actuarially determined employer contribution rate from the June 30, 2015 actuarial valuations, whichever was greater. Through the fiscal year ended June 30, 2018, the rate contributed by the school division for the VRS Teacher Retirement Plan was subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, participating employers and school divisions are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Primary Government		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2017	\$ 154,832,245	\$ 119,833,331	\$ 34,998,914
Changes for the year:			
Service cost	\$ 2,381,646	\$ -	\$ 2,381,646
Interest	10,543,188	-	10,543,188
Differences between expected and actual experience	4,284,241	-	4,284,241
Contributions - employer	-	3,606,104	(3,606,104)
Contributions - employee	-	1,478,222	(1,478,222)
Net investment income	-	8,775,432	(8,775,432)
Benefit payments, including refunds	(8,430,548)	(8,430,548)	-
Administrative expenses	-	(76,892)	76,892
Other changes	-	(7,769)	7,769
Net changes	\$ 8,778,527	\$ 5,344,549	\$ 3,433,978
Balances at June 30, 2018	\$ 163,610,772	\$ 125,177,880	\$ 38,432,892

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City using the discount rate of 7.00%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	<u>Rate</u>		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
City Net Pension Liability	\$ 59,441,436	\$ 38,432,892	\$ 20,996,122

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2019, the City and recognized pension expense of \$2,040,658. At June 30, 2019, the City and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Primary Government</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,459,417	\$ 821,916
Change in assumptions	-	1,055,447
Net difference between projected and actual earnings on pension plan investments	-	972,624
Employer contributions subsequent to the measurement date	<u>3,545,470</u>	<u>-</u>
Total	<u>\$ 7,004,887</u>	<u>\$ 2,849,987</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$3,545,470 reported as deferred outflows of resources related to pensions resulting from the City's and contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>	<u>Primary Government</u>
2020	\$ 846,565
2021	290,499
2022	(426,198)
2023	(101,436)
2024	-
Thereafter	-

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA 23218-2500.

Component Unit School Board (professional)

Plan Description

All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Retirement Plan upon employment. This is a cost-sharing multiple employer plan administered by the Virginia Retirement System (the system). Additional information related to the plan description is included in the first section of this note.

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 15.68% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the school division were \$16,161 and \$13,674 for the years ended June 30, 2019 and June 30, 2018, respectively.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the school division reported a liability of \$141,000 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2018 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The school division’s proportion of the Net Pension Liability was based on the school division’s actuarially determined employer contributions to the pension plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division’s proportion was .0012% as compared to .00117% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized pension expense of \$11,000. Since there was a change in proportionate share between measurement dates, a portion of the pension expense was related to deferred amounts from changes in proportion and from differences between employer contributions and the proportionate share of employer contributions.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 12,000
Change in assumptions	2,000	-
Net difference between projected and actual earnings on pension plan investments	-	3,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,000	-
Employer contributions subsequent to the measurement date	16,161	-
Total	<u>\$ 19,161</u>	<u>\$ 15,000</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

\$16,161 reported as deferred outflows of resources related to pensions resulting from the school division's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in future reporting periods as follows:

<u>Year Ended June 30</u>		
2020	\$	(1,000)
2021		(3,000)
2022		(6,000)
2023		(2,000)
2024		-

Actuarial Assumptions

The total pension liability for the VRS Teacher Retirement Plan was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5% - 5.95%
Investment rate of return	7.0%, net of pension plan investment expenses, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Actuarial Assumptions: (Continued)

Mortality rates:

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 75 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with Scale BB to 2020; 115% of rates for males and females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67, less that system's fiduciary net position. As of June 30, 2018, NPL amounts for the VRS Teacher Employee Retirement Plan is as follows (amounts expressed in thousands):

	<u>Teacher Employee Retirement Plan</u>
Total Pension Liability	\$ 46,679,555
Plan Fiduciary Net Position	<u>34,919,563</u>
Employers' Net Pension Liability (Asset)	<u>\$ 11,759,992</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	 74.81%

The total pension liability is calculated by the System's actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB Statement No. 67 in the System's notes to the financial statements and required supplementary information.

The long-term expected rate of return and discount rate information previously described also apply to this plan.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

Component Unit School Board (professional) (Continued)

Sensitivity of the School Division's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the school division's proportionate share of the net pension liability using the discount rate of 7.00%, as well as what the school division's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
School division's proportionate share of the VRS Teacher Employee Retirement Plan Net Pension Liability	\$ 216,000	\$ 141,000	\$ 80,000

Pension Plan Fiduciary Net Position

Detailed information about the VRS Teacher Retirement Plan's Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

City Supplemental Pension Plans

The City's Supplemental Retirement Plans cover all full-time employees and permanent part-time employees hired between March 1, 2004 and June 30, 2014 of the City except police officers and firefighters who are covered under a separate plan for police and firefighters. Permanent part-time employees hired after June 30, 2014 are not eligible to participate in the City's Supplemental Retirement Plan. Both plans are single-employer, defined benefit pension plans, authorized by the City Council, and administered by the City Retirement Committee composed of nine individuals appointed by the Mayor and Council.

Upon retirement, a participant in the two City plans would receive a monthly retirement allowance which is determined based on a certain percentage of the participant's average final compensation at the date of retirement and the number of years of the participant's credited service. In the event of death prior to retirement, the beneficiary receives the same monthly benefit that would have been payable to the participant, assuming the joint and 100% survivor option was elected.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

Membership

According to the last available actuary statement, the membership in the City Supplemental Retirement (General) Plan and the Firefighters, Policemen, and Policewomen (Public Safety) Plan at June 30, 2018 is as follows:

	<u>City General Plan</u>	<u>City Public Safety Plan</u>
Inactive plan members or beneficiaries receiving benefits	\$ 216	\$ 119
Inactive plan members entitled to but not yet receiving benefits	40	8
Active members	<u>254</u>	<u>133</u>
Total	<u>\$ 510</u>	<u>\$ 260</u>

Significant Accounting Policies

Basis of Accounting - The City's Supplemental Retirement Plans' financial statements are prepared using the accrual basis of accounting.

Reporting - The Plans are accounted for as a pension trust fund of the City. A separate actuarial report for each plan is generated by the Actuary each year. There were no separate financial statements for the plans.

Investment Policy - The Plans' policy in regard to the allocation of invested assets is established and may be amended by the Plan Board by a majority vote of its members. It is the policy of the Plans' Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plans' investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Investment Valuation and Income Recognition - Shares of registered investment companies (mutual funds), corporate bonds, and stocks are reported at fair value based on the quoted market price of the investment, which represents the fair value of the shares held by the Plan.

Payment of Benefits - Benefits are recorded when paid.

Refunds - In the event that a participant terminates employment with the City before reaching normal retirement age, other than by death or disability, and has less than five years (or seven years if hired after July 1, 2014) of credited service, the participant's accumulated contributions including credited interest will be refunded. Participants with at least five years (or seven years if hired after July 1, 2014) of credited service will be eligible for a deferred retirement benefit if accumulated contributions remain in deposit in the plan.

Administrative Costs - Administrative costs are financed from investment earnings.

NOTE 8—PENSION PLANS: (CONTINUED)**City Supplemental Pension Plans (Continued)*****Contributions***

The contribution requirements of Plan members and the City are established and may be amended by City Council. The City's annual pension cost for the current year and related information for each Plan is as follows:

Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Equities	19.00%	5.78%
Small/Mid Cap Equities	8.00%	6.54%
International Equities (Unhedged)	7.00%	6.63%
International Equities (Hedged)	3.00%	6.53%
International Small Cap Equities (Unhedged)	5.00%	7.12%
Emerging International Equities	5.00%	9.46%
Emerging International Small Cap Equities	2.00%	10.35%
TIPS	5.00%	1.41%
Core Bonds	16.00%	1.74%
Absolute Return Fixed Income	10.00%	2.02%
GMO Global Balanced	6.00%	4.35%
PIMCO All Asset	6.00%	4.44%
Risk Party	8.00%	5.19%
Total	<u>100.00%</u>	

For the year ended June 30, 2019, the annual money-weighted rate of return, which expresses investments performance, net of investment expense, adjusted for the changing amounts actually invested on pension plan investments, net of pension plan investment expense, was 4.50%.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities: The components of the pension liabilities at June 30, 2019, were as follows:

	<u>General</u>	<u>Public Safety</u>	<u>Total</u>
Total pension liability	\$ 67,496,005	\$ 82,134,485	\$ 149,630,490
Plan fiduciary net position	(59,839,760)	(67,931,568)	(127,771,328)
Net Pension Liability	<u>\$ 7,656,245</u>	<u>\$ 14,202,917</u>	<u>\$ 21,859,162</u>
Plan fiduciary net position as a percentage of the total pension liability	88.66%	82.71%	85.39%

Pension Expense: For the year ended June 30, 2019, the City recognized pension expense of \$3,043,430 (General) and \$4,084,819 (Public Safety).

Deferred outflows of resources and deferred inflows of resources related to pensions: Deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

	<u>City General Plan</u>		<u>City Public Safety Plan</u>		<u>Total</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 319,311	\$ 1,242,577	\$ 1,249,487	\$ 1,431,539	\$ 1,568,798	\$ 2,674,116
Change in assumptions	2,268,914	-	2,631,765	-	4,900,679	-
Net difference between projected and actual earnings on pension plan investments	<u>2,121,278</u>	<u>1,022,607</u>	<u>2,430,628</u>	<u>1,031,342</u>	<u>4,551,906</u>	<u>2,053,949</u>
Total	<u>\$ 4,709,503</u>	<u>\$ 2,265,184</u>	<u>\$ 6,311,880</u>	<u>\$ 2,462,881</u>	<u>\$ 11,021,383</u>	<u>\$ 4,728,065</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30</u>	<u>City General Plan</u>	<u>City Public Safety Plan</u>
2020	\$ 1,079,783	\$ 1,255,019
2021	409,327	405,940
2022	849,576	1,164,580
2023	121,412	868,239
2024	(15,779)	141,140
Thereafter	-	14,081

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

	City General Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 66,162,452	\$ 59,661,418	\$ 6,501,034
Changes for the year:			
Service cost	\$ 1,602,295	\$ -	\$ 1,602,295
Interest	4,072,120	-	4,072,120
Differences between expected and actual experience	(721,494)	-	(721,494)
Contributions - employer	-	932,247	(932,247)
Contributions - employee	-	524,773	(524,773)
Net investment income	-	2,348,258	(2,348,258)
Benefit payments, including refunds	(3,619,368)	(3,619,368)	-
Other changes	-	(7,568)	7,568
Net changes	\$ 1,333,553	\$ 178,342	\$ 1,155,211
Balances at June 30, 2019	\$ 67,496,005	\$ 59,839,760	\$ 7,656,245

	City Public Safety Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2018	\$ 79,818,792	\$ 67,855,833	\$ 11,962,959
Changes for the year:			
Service cost	\$ 1,858,187	\$ -	\$ 1,858,187
Interest	4,896,030	-	4,896,030
Differences between expected and actual experience	384,293	-	384,293
Contributions - employer	-	1,477,700	(1,477,700)
Contributions - employee	-	781,348	(781,348)
Net investment income	-	2,648,038	(2,648,038)
Benefit payments, including refunds	(4,822,817)	(4,822,817)	-
Other changes	-	(8,534)	8,534
Net changes	\$ 2,315,693	\$ 75,735	\$ 2,239,958
Balances at June 30, 2019	\$ 82,134,485	\$ 67,931,568	\$ 14,202,917

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, using the entry age actuarial cost method, a level percent of payroll and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases, including inflation	4.0% to 8.5% including inflation
Investment rate of return	6.75%
Remaining amortization period	10 years, open

The mortality table used to measure non-disabled retired life mortality is the RP-2000 Combined Healthy Mortality Table for males and females projected to 2020 using projection scale AA. The base table is the RP-2000 Combined Healthy Mortality Table projected to the valuation date and the provision for future mortality improvement is the projection to 2020. The mortality tables used to measure disabled retired life mortality were the same as described above, set-forward 10-years.

Discount Rate

A Single Discount Rate of 6.25% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 6.25%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to Changes in Discount Rate

The following presents the net pension liability of the City Plans, calculated using the discount rate of 6.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%) or one percentage point higher (7.25%) than the current rate:

	1.00% Lower (5.25%)	Current Discount Rate (6.25%)	1.00% Higher (7.25%)
General Plan Net Pension Liability (Asset) \$	16,357,146	\$ 7,656,245	\$ 440,966
Public Safety Plan Net Pension Liability	25,573,998	14,202,917	4,946,781

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

The following is a summary of financial information for the City’s local retirement plans:

	Pension Trust Funds		
	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Assets			
Mutual and money market funds	\$ 59,839,075	\$ 67,930,790	\$ 127,769,865
Accrued interest	685	778	1,463
	<u>\$ 59,839,760</u>	<u>\$ 67,931,568</u>	<u>\$ 127,771,328</u>
Total assets			
Net Position			
Held in trust for pension benefits	<u>\$ 59,839,760</u>	<u>\$ 67,931,568</u>	<u>\$ 127,771,328</u>
Additions			
Plan members contributions	<u>\$ 1,449,452</u>	<u>\$ 2,250,514</u>	<u>\$ 3,699,966</u>
Investment income:			
Interest and dividends earned on investments	\$ 761,034	\$ 858,187	\$ 1,619,221
Net appreciation in fair value of investments	1,981,921	2,234,935	4,216,856
Total investment income	<u>\$ 2,742,955</u>	<u>\$ 3,093,122</u>	<u>\$ 5,836,077</u>
Less: Investment expenses	394,697	445,084	839,781
Net investment income	<u>\$ 2,348,258</u>	<u>\$ 2,648,038</u>	<u>\$ 4,996,296</u>
Total additions	<u>\$ 3,797,710</u>	<u>\$ 4,898,552</u>	<u>\$ 8,696,262</u>
Deductions			
Retirement and disability benefits	<u>\$ 3,619,368</u>	<u>\$ 4,822,817</u>	<u>\$ 8,442,185</u>
Total deductions	<u>\$ 3,619,368</u>	<u>\$ 4,822,817</u>	<u>\$ 8,442,185</u>
Change in net position	\$ 178,342	\$ 75,735	\$ 254,077
Net position - beginning	59,661,418	67,855,833	127,517,251
Net position - ending	<u>\$ 59,839,760</u>	<u>\$ 67,931,568</u>	<u>\$ 127,771,328</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 8—PENSION PLANS: (CONTINUED)

City Supplemental Pension Plans (Continued)

Concentrations

At June 30, 2019, the Plans' assets were comprised of cash and cash equivalents, stocks, and mutual funds. The following table presents the fair value of the investments in the Plans. Single investments representing more than 5% of the Plans' net position as of June 30, 2019 are separately identified. Investments at fair value, as determined by quoted market prices, and accrued interest are as follows:

Investments at Fair Value as Determined by Quoted Market Prices	
Mutual Funds:	
Oberweis International Opportunities	\$ 6,899,647
SSGA Funds S&P 500	21,543,357
PIMCO All Asset Fund	7,741,466
GMO Strategic Opportunities	11,089,414
Wellington Core Bond Plus	14,478,859
Fiam Group Small/Mid Cap Core Commingled Pool	9,495,503
Strategic Fixed Inc Fd Cl A	12,894,224
Baxter Street Offshore Fund	9,711,731
Putnam Total Return Trust	10,052,438
Other Investments Individually Less than 5% of Plan Assets	<u>23,864,689</u>
Total	<u>\$ 127,771,328</u>

Summary of Net Pension Liabilities and Related Items:

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
Primary Government	\$ 7,004,887	\$ 2,849,987	\$ 38,432,892	\$ 2,040,658
City General Plan	4,709,503	2,265,184	7,656,245	3,043,430
City Public Safety Plan	6,311,880	2,462,881	14,202,917	4,084,819
Totals	<u>\$ 18,026,270</u>	<u>\$ 7,578,052</u>	<u>\$ 60,292,054</u>	<u>\$ 9,168,907</u>
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net Pension Liability (Asset)	Pension Expense
VRS Pension Plans:				
School Board Professional	\$ 19,161	\$ 15,000	\$ 141,000	\$ 11,000
Totals	<u>\$ 19,161</u>	<u>\$ 15,000</u>	<u>\$ 141,000</u>	<u>\$ 11,000</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 9—FAIRFAX COUNTY AGREEMENTS:

The City and School Board are parties to certain contracts under which services are provided to its citizens by Fairfax County (the “County”), an unrelated local governmental entity. The costs of these services are summarized below.

	<u>Description</u>	
Joint court service	\$	266,018
Juvenile & domestic court		607,012
Commonwealth Attorney		91,932
Jail and custody services		1,154,315
Health		1,307,704
Social services		1,245,825
Library services		882,920
Education		48,906,010
Refuse collection		405,016
Extension services		23,910
Sewage treatment		<u>2,205,111</u>
Total	\$	<u><u>57,095,773</u></u>

The City constructs and owns its school facilities. In accordance with the education contract, the County manages, maintains and provides instruction in these facilities to City residents for a fee. Under the contract the City reimburses the County for the portion of the County’s school expenditures related to City students.

The City pays tuition to Fairfax County Public Schools (FCPS) quarterly, based on estimates provided by FCPS. After the end of each fiscal year, FCPS provides a reconciliation of actual expenditures to estimates, and either increases or decreases the amount due from the City for the first quarter’s tuition for the following fiscal year as a result. As of June 30, 2019, the City had recorded a payable of approximately \$283,376 for overpayment of tuition during fiscal year 2019. This amount will be subtracted by FCPS from the first quarter’s invoice for fiscal year 2020.

NOTE 10—TRANSPORTATION CONTRACTS:

The City provides bus transportation services to its citizens in two ways:

CUE Bus - CUE Bus is an intra-city bus service operation in cooperation with George Mason University. Funding received from George Mason University was \$750,000 for the fiscal year ended June 30, 2019.

Washington Metropolitan Area Transit Authority - The City contracts on an annual basis for rail service from the Washington Metropolitan Area Transit Authority (“WMATA”). The City’s share of WMATA’s capital and operating for bus and rail service for the year ended June 30, 2019 was \$2,943,984. This amount was paid from the City’s account at the Northern Virginia Transportation Commission (“NVTC”).

Northern Virginia Transportation Commission (“NVTC”) - NVTC receives funds designated for the City and it also disburses the designated funds for the City. As of June 30, 2019, the balance designated for the City is \$5,056,753. The NVTC received \$4,130,298 and disbursed \$3,218,133 on behalf of the City for the fiscal year ended June 30, 2019.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 11—MAJOR CUSTOMER:

The City has one major sewer customer and for the year ended June 30, 2019, sewer revenue from this customer was approximately \$178,000.

NOTE 12—SURETY BOND:

	<u>Coverage</u>
City Funds:	
VML Insurance Programs:	
Tom Scibilia, City Treasurer	\$ 250,000
City Council and all employees	250,000
City of Fairfax School Board	250,000
State Funds:	
Tom Scibilia, City Treasurer	500,000
William Page Johnson, II, Commissioner of Revenue	450,000
Commonwealth of Virginia Performance of Duty Bond Self Insurance Plan:	
All Employees of constitutional officers-blanket bond-each loss	250,000

NOTE: The coverage with respect to the City Treasurer does not apply to pecuniary loss sustained by the City by reason or in consequence of the failure of the Treasurer to faithfully and fully discharge according to laws the duties pertaining to said position.

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS - CITY PLAN:

Plan Description

In addition to the pension benefits described in Note 8, through a single employer defined benefit plan, the City provides postemployment health care insurance benefits for employees who are eligible for retirement benefits. General Government employees are eligible for normal retirement if they have attained the age of 60 with 5 years of service. Public Safety employees are eligible for normal retirement if they have attained the age of 50 with 5 years of service or have 20 years of service. General Government employees are eligible for early retirement if they have attained the age of 50 years with 5 years of service or have 25 years of service. Disabled individuals must have completed 5 years of service to be eligible to participate in the plan. No assets are accumulated in a trust that meets the criteria in GAAP.

Benefits Provided

Retirees and their spouses are eligible to continue coverage under the City's medical, prescription drug, dental and vision plans at the City's group rate. Premiums paid by the retiree or spouse range from 10% to 100% depending on whether coverage is for individual, dual or family and the employee's termination is related to in-service death or disability, or early or normal retirement. Effective for normal and early retirements after July 1, 2004 and prior to October 1, 2016, retirees with a minimum of 5 years of credited service will receive a monthly stipend ranging from \$50 - \$175 to offset a portion of their medical coverage cost. Effective for normal and early retirements on or after October 1, 2016, retirees with a minimum of 15 years of credited service will receive a monthly stipend ranging from \$100 - \$175 to offset a portion of their medical coverage. The stipend is payable for the life of the retiree, subject to annual approval by the City Council.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS - CITY PLAN: (CONTINUED)

Benefits Provided: (Continued)

At June 30, 2019, the following employees were covered by the benefit terms:

Retirees and beneficiaries	133
Active members	386
	<hr/>
Total	519
	<hr/> <hr/>

The City's total OPEB liability of \$17,172,893 was measured as of June 30, 2019 and was determined by an actuarial valuation as of that date.

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.75% to 7.75%
Discount Rate	3.13%
Healthcare cost trend rates	Initial trend of 9.00% gradually decreasing to an ultimate trend rate of 3.5% in year 10

The discount rate was based on the daily rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index.

Mortality rates were based on the RP-2014 Employee, Healthy Annuitant and Disabled Mortality Tables, adjusted backwards to 2006 with the MP-2014 scale, resulting in a base year of 2006 with future mortality improvements assumed each year using scale MP-2017. The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2017.

Changes in the Total OPEB Liability

	Total
	OPEB Liability
	<hr/>
Balances at June 30, 2018	\$ 14,078,960
Changes for the year:	
Service cost	493,978
Interest	509,096
Difference between expected and actual experience	429,083
Changes in assumptions	2,186,815
Benefit payments	(525,039)
Net changes	\$ 3,093,933
Balances at June 30, 2019	\$ 17,172,893
	<hr/> <hr/>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS - CITY PLAN: (CONTINUED)

Changes in the Total OPEB Liability: (Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.62% in 2018 to 3.13% in 2019.

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

Rate		
1% Decrease (2.13%)	Current Discount Rate (3.13%)	1% Increase (4.13%)
\$ 19,766,907	\$ 17,172,893	\$ 15,087,951

The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates.

Rates		
1% Decrease (8.00% decreasing to 2.50%)	Healthcare Cost Trend (9.00% decreasing to 3.50%)	1% Increase (10.00% decreasing to 4.50%)
\$ 14,644,470	\$ 17,172,893	\$ 20,420,292

For the year ended June 30, 2018, the City recognized OPEB expense of \$1,310,591. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 375,464	\$ 27,799
Changes in assumptions	1,913,545	87,860
Total	<u>\$ 2,289,009</u>	<u>\$ 115,659</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 13—OTHER POSTEMPLOYMENT BENEFITS - CITY PLAN: (CONTINUED)

Changes in the Total OPEB Liability: (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30</u>	
2020	\$ 307,517
2021	307,517
2022	307,517
2023	307,517
2024	307,517
Thereafter	635,765

The City provides death and disability benefits to its public safety employees and surviving spouses as required by the Virginia Line of Duty Act (LODA). The obligation for LODA benefit payments has been transferred by the City to an insurance company. In the event of the insurance company's insolvency, the City retains an obligation for the benefits.

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN):

Plan Description

The Group Life Insurance (GLI) Program was established pursuant to §51.1-500 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent employees of the state agencies, teachers, and employees of participating political subdivisions are automatically covered by the VRS GLI Program upon employment. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pensions and other OPEB plans, for public employer groups in the Commonwealth of Virginia.

In addition to the Basic GLI benefit, members are also eligible to elect additional coverage for themselves as well as a spouse or dependent children through the Optional GLI Program. For members who elect the optional group life insurance coverage, the insurer bills employers directly for the premiums. Employers deduct these premiums from members' paychecks and pay the premiums to the insurer. Since this is a separate and fully insured program, it is not included as part of the GLI Program OPEB.

The specific information for GLI OPEB, including eligibility, coverage and benefits is described below:

Eligible Employees

The GLI Program was established July 1, 1960, for state employees, teachers, and employees of political subdivisions that elect the program. Basic GLI coverage is automatic upon employment. Coverage ends for employees who leave their position before retirement eligibility or who take a refund of their accumulated retirement member contributions and accrued interest.

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Benefit Amounts

The GLI Program is a defined benefit plan with several components. The natural death benefit is equal to the employee's covered compensation rounded to the next highest thousand and then doubled. The accidental death benefit is double the natural death benefit. In addition to basic natural and accidental death benefits, the program provides additional benefits provided under specific circumstances that include the following: accidental dismemberment benefit, safety belt benefit, repatriation benefit, felonious assault benefit, and accelerated death benefit option. The benefit amounts are subject to a reduction factor. The benefit amount reduces by 25% on January 1 following one calendar year of separation. The benefit amount reduces by an additional 25% on each subsequent January 1 until it reaches 25% of its original value. For covered members with at least 30 years of creditable service, the minimum benefit payable was set at \$8,000 by statute. This amount is increased annually based on the VRS Plan 2 cost-of-living adjustment and was increased to \$8,279 effective July 1, 2018.

Contributions

The contribution requirements for the GLI Program are governed by §51.1-506 and §51.1-508 of the Code of Virginia, as amended, but may be impacted as a result of funding provided to state agencies and school divisions by the Virginia General Assembly. The total rate for the GLI Program was 1.31% of covered employee compensation. This was allocated into an employee and an employer component using a 60/40 split. The employee component was 0.79% (1.31% x 60%) and the employer component was 0.52% (1.31% x 40%). Employers may elect to pay all or part of the employee contribution; however, the employer must pay all of the employer contribution. Each employer's contractually required employer contribution rate for the year ended June 30, 2019 was 0.52% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate, when combined with employee contributions, was expected to finance the costs of benefits payable during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the GLI Program from the School Board were \$495 and \$495 for the years ended June 30, 2019 and June 30, 2018, respectively.

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB

At June 30, 2019, the School Board reported a liability of \$8,000 for its proportionate share of the Net GLI OPEB Liability. The Net GLI OPEB Liability was measured as of June 30, 2018 and the total GLI OPEB liability used to calculate the Net GLI OPEB Liability was determined by an actuarial valuation as of that date. The covered employer's proportion of the Net GLI OPEB Liability was based on the covered employer's actuarially determined employer contributions to the GLI Program for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the participating employer's proportion was .00051% as compared to .00050% at June 30, 2017.

For the year ended June 30, 2019, the participating employer recognized GLI OPEB expense of \$0. Since there was a change in proportionate share between measurement dates, a portion of the GLI OPEB expense was related to deferred amounts from changes in proportion.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

GLI OPEB Liabilities, GLI OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the GLI Program OPEB: (Continued)

At June 30, 2019, the employer reported deferred outflows of resources and deferred inflows of resources related to the GLI OPEB from the following sources:

	School Professional	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,000
Employer contributions subsequent to the measurement date	<u>495</u>	
Total	<u>\$ 495</u>	<u>\$ 1,000</u>

\$495 reported as deferred outflows of resources related to the GLI OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net GLI OPEB Liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the GLI OPEB will be recognized in the GLI OPEB expense in future reporting periods as follows:

<u>Year Ended June 30</u>	
2020	\$ (1,000)
2021	-
2022	-
2023	-
2024	-
Thereafter	-

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total GLI OPEB liability was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018. The assumptions include several employer groups as noted below. Mortality rates included herein are for relevant employer groups. Information for other groups can be referenced in the VRS CAFR.

Inflation	2.5%
Salary increases, including inflation:	
General state employees	3.5%-5.35%
Teachers	3.5%-5.95%
SPORS employees	3.5%-4.75%
VaLORS employees	3.5%-4.75%
JRS employees	4.5%
Locality - General employees	3.5%-5.35%
Locality - Hazardous Duty employees	3.5%-4.75%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

NET GLI OPEB Liability

The net OPEB liability (NOL) for the GLI Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of the measurement date of June 30, 2018, NOL amounts for the GLI Program are as follows (amounts expressed in thousands):

		GLI OPEB Program
		<hr/>
Total GLI OPEB Liability	\$	3,113,508
Plan Fiduciary Net Position		1,594,773
Employers' Net GLI OPEB Liability (Asset)	\$	<hr/> <hr/> 1,518,735
Plan Fiduciary Net Position as a Percentage of the Total GLI OPEB Liability		51.22%

The total GLI OPEB liability is calculated by the System’s actuary, and each plan’s fiduciary net position is reported in the System’s financial statements. The net GLI OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)***Long-Term Expected Rate of Return***

The long-term expected rate of return on the System's investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of System's investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-term Expected Rate of Return	Weighted Average Long-term Expected Rate of Return
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	100.00%		4.80%
		Inflation	2.50%
		*Expected arithmetic nominal return	7.30%

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total GLI OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made per the VRS guidance and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ended June 30, 2018, the rate contributed by the entity for the GLI OPEB will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, employers are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the GLI OPEB's fiduciary net position was projected to be available to make all projected future benefit payments of eligible employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total GLI OPEB liability.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 14—GROUP LIFE INSURANCE (GLI) PROGRAM (OPEB PLAN): (CONTINUED)

Sensitivity of the Employer’s Proportionate Share of the Net GLI OPEB Liability to Changes in the Discount Rate

The following presents the employer’s proportionate share of the net GLI OPEB liability using the discount rate of 7.00%, as well as what the employer’s proportionate share of the net GLI OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School Board proportionate share of the GLI Program			
Net OPEB Liability	\$ 10,000	\$ 8,000	\$ 6,000

GLI Program Fiduciary Net Position

Detailed information about the GLI Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN):

Plan Description

The Virginia Retirement System (VRS) Teacher Employee Health Insurance Credit (HIC) Program was established pursuant to §51.1-1400 et seq. of the Code of Virginia, as amended, and which provides the authority under which benefit terms are established or may be amended. All full-time, salaried permanent (professional) employees of public school divisions are automatically covered by the VRS Teacher Employee HIC Program. This is a cost-sharing multiple-employer plan administered by the Virginia Retirement System (the System), along with pension and other OPEB plans, for public employer groups in the Commonwealth of Virginia. Members earn one month of service credit toward the benefit for each month they are employed and for which their employer pays contributions to VRS. The HIC is a tax-free reimbursement in an amount set by the General Assembly for each year of service credit against qualified health insurance premiums retirees pay for single coverage, excluding any portion covering the spouse or dependents. The credit cannot exceed the amount of the premiums and ends upon the retiree’s death.

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

The specific information for the Teacher HIC Program OPEB, including eligibility, coverage, and benefits is described below:

Eligible Employees

The Teacher Employee Retiree HIC Program was established July 1, 1993 for retired Teacher Employees covered under VRS who retire with at least 15 years of service credit. Eligible employees include full-time permanent (professional) salaried employees of public school divisions covered under VRS. These employees are enrolled automatically upon employment.

Benefit Amounts

The Teacher Employee HIC Program is a defined benefit plan that provides a credit toward the cost of health insurance coverage for retired teachers. For Teacher and other professional school employees who retire with at least 15 years of service credit, the monthly benefit is \$4.00 per year of service per month with no cap on the benefit amount. For Teacher and other professional school employees who retire on disability or go on long-term disability under the Virginia Local Disability Program (VLDP), the monthly benefit is either: \$4.00 per month, multiplied by twice the amount of service credit, or \$4.00 per month, multiplied by the amount of service earned had the employee been active until age 60, whichever is lower.

HIC Program Notes

The monthly HIC benefit cannot exceed the individual premium amount. Employees who retire after being on long-term disability under VLDP must have at least 15 years of service credit to qualify for the HIC as a retiree.

Contributions

The contribution requirements for active employees is governed by §51.1-1401(E) of the Code of Virginia, as amended, but may be impacted as a result of funding provided to school divisions by the Virginia General Assembly. Each school division's contractually required employer contribution rate for the year ended June 30, 2019 was 1.20% of covered employee compensation for employees in the VRS Teacher Employee HIC Program. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2017. The actuarially determined rate was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions from the school division to the VRS Teacher Employee HIC Program were \$1,142 and \$1,170 for the years ended June 30, 2019 and June 30, 2018, respectively.

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Teacher Employee HIC Program OPEB Liabilities, Teacher Employee HIC Program OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Teacher Employee HIC Program OPEB

At June 30, 2019, the school division reported a liability of \$15,000 for its proportionate share of the VRS Teacher Employee HIC Program Net OPEB Liability. The Net VRS Teacher Employee HIC Program OPEB Liability was measured as of June 30, 2018 and the total VRS Teacher Employee HIC Program OPEB liability used to calculate the Net VRS Teacher Employee HIC Program OPEB Liability was determined by an actuarial valuation as of that date. The school division’s proportion of the Net VRS Teacher Employee HIC Program OPEB Liability was based on the school division’s actuarially determined employer contributions to the VRS Teacher Employee HIC Program OPEB plan for the year ended June 30, 2018 relative to the total of the actuarially determined employer contributions for all participating employers. At June 30, 2018, the school division’s proportion of the VRS Teacher Employee HIC Program was .00118% as compared to .00118% at June 30, 2017.

For the year ended June 30, 2019, the school division recognized VRS Teacher Employee HIC Program OPEB expense of \$1,000. Since there was a change in proportionate share between measurement dates a portion of the VRS Teacher Employee HIC Program Net OPEB expense was related to deferred amounts from changes in proportion.

At June 30, 2019, the school division reported deferred outflows of resources and deferred inflows of resources related to the VRS Teacher Employee HIC Program OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions subsequent to the measurement date	\$ <u>1,142</u>	\$ <u>-</u>

\$1,142 reported as deferred outflows of resources related to the Teacher Employee HIC OPEB resulting from the school division’s contributions subsequent to the measurement date will be recognized as a reduction of the Net Teacher Employee HIC OPEB Liability in the fiscal year ending June 30, 2020.

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions

The total Teacher Employee HIC OPEB liability for the VRS Teacher Employee HIC Program was based on an actuarial valuation as of June 30, 2017, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2018.

Inflation	2.5%
Salary increases, including inflation	3.5%-5.95%
Investment rate of return	7.0%, net of investment expenses, including inflation*

*Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of OPEB liabilities.

Mortality Rates - Teachers

Pre-Retirement:

RP-2014 White Collar Employee Rates to age 80, White Collar Healthy Annuitant Rates at ages 81 and older projected with scale BB to 2020.

Post-Retirement:

RP-2014 White Collar Employee Rates to age 49, White Collar Healthy Annuitant Rates at ages 50 and older projected with scale BB to 2020; males 1% increase compounded from ages 70 to 90; females set back 3 years with 1.5% increase compounded from ages 65 to 70 and 2.0% increase compounded from ages 75 to 90.

Post-Disablement:

RP-2014 Disability Mortality Rates projected with scale BB to 2020; 115% of rates for males and females.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Actuarial Assumptions: (Continued)

Mortality Rates - Teachers: (Continued)

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from July 1, 2012 through June 30, 2016. Changes to the actuarial assumptions as a result of the experience study are as follows:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Net Teacher Employee HIC OPEB Liability

The net OPEB liability (NOL) for the Teacher Employee HIC Program represents the program’s total OPEB liability determined in accordance with GASB Statement No. 74, less the associated fiduciary net position. As of June 30, 2018, NOL amounts for the VRS Teacher Employee HIC Program is as follows (amounts expressed in thousands):

	Teacher Employee HIC OPEB Plan
Total Teacher Employee HIC OPEB Liability	\$ 1,381,313
Plan Fiduciary Net Position	111,639
Teacher Employee net HIC OPEB Liability (Asset)	<u>\$ 1,269,674</u>
Plan Fiduciary Net Position as a Percentage of the Total Teacher Employee HIC OPEB Liability	8.08%

The total Teacher Employee HIC OPEB liability is calculated by the System’s actuary, and the plan’s fiduciary net position is reported in the System’s financial statements. The net Teacher Employee HIC OPEB liability is disclosed in accordance with the requirements of GASB Statement No. 74 in the System’s notes to the financial statements and required supplementary information.

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)***Long-Term Expected Rate of Return***

The long-term expected rate of return on the VRS System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of VRS System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class (Strategy)</u>	<u>Target Allocation</u>	<u>Arithmetic Long-term Expected Rate of Return</u>	<u>Weighted Average Long-term Expected Rate of Return</u>
Public Equity	40.00%	4.54%	1.82%
Fixed Income	15.00%	0.69%	0.10%
Credit Strategies	15.00%	3.96%	0.59%
Real Assets	15.00%	5.76%	0.86%
Private Equity	15.00%	9.53%	1.43%
Total	<u>100.00%</u>		<u>4.80%</u>
		Inflation	<u>2.50%</u>
	*Expected arithmetic nominal return		<u>7.30%</u>

*The above allocation provides a one-year return of 7.30%. However, one-year returns do not take into account the volatility present in each of the asset classes. In setting the long-term expected return for the system, stochastic projections are employed to model future returns under various economic conditions. The results provide a range of returns over various time periods that ultimately provide a median return of 6.83%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total Teacher Employee HIC OPEB was 7.00%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made in accordance with the VRS funding policy and at rates equal to the actuarially determined contribution rates adopted by the VRS Board of Trustees. Through the fiscal year ended June 30, 2018, the rate contributed by each school division for the VRS Teacher Employee HIC Program will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly, which was 100% of the actuarially determined contribution rate. From July 1, 2018 on, all agencies are assumed to continue to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the Teacher Employee HIC OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total Teacher Employee HIC OPEB liability.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 15—TEACHER EMPLOYEE HEALTH INSURANCE CREDIT (HIC) PROGRAM (OPEB PLAN): (CONTINUED)

Sensitivity of the School Division’s Proportionate Share of the Teacher Employee HIC Net OPEB Liability to Changes in the Discount Rate

The following presents the school division’s proportionate share of the VRS Teacher Employee HIC Program net HIC OPEB liability using the discount rate of 7.00%, as well as what the school division’s proportionate share of the net HIC OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease	Current Discount	1% Increase
	(6.00%)	(7.00%)	(8.00%)
School division's proportionate share of the VRS Teacher Employee HIC OPEB Plan Net HIC OPEB Liability	\$ 17,000	\$ 15,000	\$ 14,000

Teacher Employee HIC OPEB Fiduciary Net Position

Detailed information about the VRS Teacher Employee HIC Program’s Fiduciary Net Position is available in the separately issued VRS 2018 Comprehensive Annual Financial Report (CAFR). A copy of the 2018 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.org/Pdf/Publications/2018-annual-report.pdf>, or by writing to the System’s Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Summary of Net OPEB Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and OPEB Expense:

	Primary Government			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
City Stand-Alone Plan (Note 13)	\$ 2,289,009	\$ 115,659	\$ 17,172,893	\$ 1,310,591
Totals	<u>\$ 2,289,009</u>	<u>\$ 115,659</u>	<u>\$ 17,172,893</u>	<u>\$ 1,310,591</u>
	Component Unit School Board			
	Deferred Outflows	Deferred Inflows	Net OPEB Liability	OPEB Expense
VRS OPEB Plans:				
School Board Professional GLI (Note 14)	\$ 495	\$ 1,000	\$ 8,000	-
Teacher Health Insurance Credit Program (Note 15)	1,142	-	15,000	1,000
Totals	<u>\$ 1,637</u>	<u>\$ 1,000</u>	<u>\$ 23,000</u>	<u>\$ 1,000</u>

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 16—RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. To reduce insurance costs and the need for self-insurance, the City has joined with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The City is not self-insured.

The City has coverage with the VML Insurance Programs (“Program”). Each Program member jointly and severally agrees to assume, pay and discharge any liability. The City pays VML the contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Program and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Program may assess all members in the proportion which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The City also contracts with private insurance carriers for accident insurance for all volunteer firefighters and holds a policy for any pollution associated with underground storage tanks. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 17—COMMITMENTS AND CONTINGENCIES:

Federal programs in which the City participates were audited in accordance with the provisions of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Pursuant to the CFR, the City’s major program was tested for compliance with applicable grant requirements.

While no matters of material noncompliance were disclosed by audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

In fiscal year 2014, the City entered into an agreement to sell certain water assets to Fairfax County Water Authority. The City has potential liability related to any material adverse effects of the sale on the Authority. As of June 30, 2019, management is unaware of any liabilities related to this part of the sale agreement.

NOTE 18—LITIGATION:

At June 30, 2019, the City was named as a defendant in various matters. It is not known what liability, if any, the City faces.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 19—CONSTRUCTION COMMITMENTS:

At June 30, 2019, the City had several major projects under construction which are summarized below:

<u>Project</u>	<u>Contract Amount</u>	<u>Expenditures as of June 30, 2019</u>	<u>Contract Balance</u>
Primary Government:			
Northfax Storm Drainage	\$ 9,032,697	\$ 9,009,471	\$ 23,226
Firing Range	3,412,768	2,993,657	419,111
Chain Bridge Road Sidewalk	5,484,247	1,463,039	4,021,208
Curb Gutter and Sidewalk	1,392,421	1,329,221	63,200
Total	<u>\$ 19,322,133</u>	<u>\$ 14,795,388</u>	<u>\$ 4,526,745</u>

NOTE 20—DEBT REFUNDING:

On May 22, 2019 the City of Fairfax, Virginia issued \$19,205,000 in VRA Revenue Refunding Bonds with an effective interest rate of 2.80%. The bonds were issued to refund \$20,105,000 of Revenue Bonds. The bonds will be repaid in various installments on from October 1, 2021 to October 1, 2040. As a result, the refunded bonds are considered to be defeased in substance and the liability for those bonds has been removed from the financial statements. The reacquisition price exceeded the carrying amount of the old debt by \$525,903. The advance refunding reduced the total debt service payments over the next 21 years by \$2,198,207 and resulted in an economic gain of \$1,907,708. At June 30, 2019, the defeased bonds had balances outstanding of \$20,105,000.

NOTE 21—NEW ACCOUNTING STANDARDS:

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87, *Leases*, requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Statement No. 90, *Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*, provides guidance for reporting a government's majority equity interest in a legally separate organization and for reporting financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

CITY OF FAIRFAX, VIRGINIA

Notes to the Financial Statements
June 30, 2019 (Continued)

NOTE 21—NEW ACCOUNTING STANDARDS: (CONTINUED)

Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

NOTE 22—RESTATEMENTS:

Balances at the beginning of the year was restated as follows:

	<u>Net Position</u> <u>Governmental</u> <u>Activities</u>	<u>Fund Balance</u> <u>General</u> <u>Fund</u>
Balance as reported June 30, 2018	\$ 59,094,269	\$ 31,497,469
Restatement to deferred/unavailable revenue - property taxes	(948,022)	(948,022)
Restatement to correct premium on bonds payable	(4,193,624)	-
Restatement to correct deferred charge on refunding	3,785,161	-
Balance as restated June 30, 2018	<u>\$ 57,737,784</u>	<u>\$ 30,549,447</u>

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REQUIRED SUPPLEMENTARY INFORMATION

Note to Required Supplementary Information:

Presented budgets were prepared in accordance with accounting principles generally accepted in the United States of America.

CITY OF FAIRFAX, VIRGINIA

Schedule of Changes in the Net Pension Liability and Related Ratios - City General and Public Safety Pension Plans
For the Years Ended June 30, 2014 through June 30, 2019

	City General Plan			
	2019	2018	2017	2016
Total pension liability				
Service cost	\$ 1,602,295	\$ 1,386,401	\$ 1,353,611	\$ 1,321,396
Interest	4,072,120	4,037,857	3,857,917	3,825,762
Benefit changes	-	-	-	-
Differences between expected and actual experience	(721,494)	(450,350)	765,030	(1,571,490)
Assumption changes	-	3,791,472	-	-
Benefit payments, including refunds of member contributions	(3,619,368)	(3,459,673)	(3,194,674)	(3,036,116)
Net change in total pension liability	1,333,553	5,305,707	2,781,884	539,552
Total pension liability - beginning	66,162,452	60,856,745	58,074,861	57,535,309
Total pension liability - ending (a)	\$ <u>67,496,005</u>	\$ <u>66,162,452</u>	\$ <u>60,856,745</u>	\$ <u>58,074,861</u>
Plan fiduciary net position				
Contributions - employer	\$ 932,247	\$ 796,752	\$ 745,267	\$ 758,268
Contributions - member	524,773	530,846	508,749	489,511
Net investment income	2,348,258	3,617,908	6,142,906	(861,774)
Benefit payments, including refunds of member contributions	(3,619,368)	(3,459,673)	(3,194,674)	(3,036,116)
Other	(7,568)	(133,202)	9,100	30,167
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	178,342	1,352,631	4,211,348	(2,619,944)
Plan fiduciary net position - beginning	59,661,418	58,308,787	54,097,439	56,717,383
Plan fiduciary net position - ending (b)	\$ <u>59,839,760</u>	\$ <u>59,661,418</u>	\$ <u>58,308,787</u>	\$ <u>54,097,439</u>
Net pension liability (a) - (b)	\$ <u>7,656,245</u>	\$ <u>6,501,034</u>	\$ <u>2,547,958</u>	\$ <u>3,977,422</u>
Plan fiduciary net position as a percentage of the total pension liability	88.66%	90.17%	95.81%	93.15%
Covered payroll	\$ 18,410,991	\$ 17,962,946	\$ 17,308,380	\$ 16,835,961
Net Pension Liability as a percentage of covered payroll	41.59%	36.19%	14.72%	23.62%

Note: The City implemented GASB 67 and GASB 68 in in fiscal years 2014 and 2015, respectively. Information for the previous years is unavailable

		Public Safety Plan							
2015	2014	2019	2018	2017	2016	2015	2014		
\$ 1,223,136	\$ 1,238,483	\$ 1,858,187	\$ 1,692,697	\$ 1,654,690	\$ 1,660,398	\$ 1,687,952	\$ 1,721,480		
3,724,963	3,693,905	4,896,030	4,955,670	4,689,991	4,608,292	4,549,584	4,482,529		
-	40,012	-	-	-	-	-	143,528		
(517,432)	(1,277,224)	384,293	(1,069,579)	1,807,081	(1,105,294)	(1,642,507)	(1,925,872)		
-	-	-	3,892,883	-	-	-	-		
<u>(2,936,859)</u>	<u>(3,517,912)</u>	<u>(4,822,817)</u>	<u>(4,447,734)</u>	<u>(4,021,835)</u>	<u>(3,878,524)</u>	<u>(3,544,481)</u>	<u>(3,278,507)</u>		
1,493,808	177,264	2,315,693	5,023,937	4,129,927	1,284,872	1,050,548	1,143,158		
56,041,501	55,864,237	79,818,792	74,794,855	70,664,928	69,380,056	68,329,508	67,186,350		
<u>\$ 57,535,309</u>	<u>\$ 56,041,501</u>	<u>\$ 82,134,485</u>	<u>\$ 79,818,792</u>	<u>\$ 74,794,855</u>	<u>\$ 70,664,928</u>	<u>\$ 69,380,056</u>	<u>\$ 68,329,508</u>		
\$ 1,064,636	\$ 876,511	\$ 1,477,700	\$ 1,261,540	\$ 1,173,293	\$ 1,359,471	\$ 1,854,639	\$ 1,772,644		
478,806	512,116	781,348	812,118	800,484	777,157	781,168	816,864		
(598,006)	6,985,339	2,648,038	4,079,768	6,654,814	(933,589)	(647,840)	7,567,450		
(2,936,859)	(3,517,912)	(4,822,817)	(4,447,734)	(4,021,835)	(3,878,524)	(3,544,481)	(3,278,507)		
23,402	24,368	(8,534)	122,489	9,858	32,681	25,352	26,399		
-	-	-	-	-	-	-	-		
(1,968,021)	4,880,422	75,735	1,828,181	4,616,614	(2,642,804)	(1,531,162)	6,904,850		
58,685,404	53,804,982	67,855,833	66,027,652	61,411,038	64,053,842	65,585,004	58,680,154		
<u>\$ 56,717,383</u>	<u>\$ 58,685,404</u>	<u>\$ 67,931,568</u>	<u>\$ 67,855,833</u>	<u>\$ 66,027,652</u>	<u>\$ 61,411,038</u>	<u>\$ 64,053,842</u>	<u>\$ 65,585,004</u>		
<u>\$ 817,926</u>	<u>\$ (2,643,903)</u>	<u>\$ 14,202,917</u>	<u>\$ 11,962,959</u>	<u>\$ 8,767,203</u>	<u>\$ 9,253,890</u>	<u>\$ 5,326,214</u>	<u>\$ 2,744,504</u>		
98.58%	104.72%	82.71%	85.01%	88.28%	86.90%	92.32%	95.98%		
\$ 16,374,172	\$ 15,346,754	\$ 11,830,345	\$ 11,570,282	\$ 11,787,583	\$ 11,490,902	\$ 11,474,760	\$ 11,561,315		
5.00%	-17.23%	120.05%	103.39%	74.38%	80.53%	46.42%	23.74%		

Schedule of Employer Contributions - City General and Public Safety Pension Plans
For the Years Ended June 30, 2014 through June 30, 2019

City General Plan:	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 932,247	\$ 796,752	\$ 745,267	\$ 758,268	\$ 1,064,636	\$ 876,511
Contributions in relation to the actuarially determined contribution	<u>932,247</u>	<u>796,752</u>	<u>745,267</u>	<u>758,268</u>	<u>1,064,636</u>	<u>876,511</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ 18,410,991	\$ 17,962,946	\$ 17,308,380	\$ 16,835,961	\$ 16,374,172	\$ 15,346,754
Contributions as a percentage of covered payroll	5.06%	4.44%	4.31%	4.50%	6.50%	5.71%
City Public Safety Plan:						
Actuarially determined contribution	\$ 1,477,700	\$ 1,261,540	\$ 1,173,293	\$ 1,359,471	\$ 1,854,639	\$ 1,772,644
Contributions in relation to the actuarially determined contribution	<u>1,477,700</u>	<u>1,261,540</u>	<u>1,173,293</u>	<u>1,359,471</u>	<u>1,854,639</u>	<u>1,772,644</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered payroll	\$ 11,830,345	\$ 11,570,282	\$ 11,787,583	\$ 11,490,902	\$ 11,474,760	\$ 11,561,315
Contributions as a percentage of covered payroll	12.49%	10.90%	9.95%	11.83%	16.16%	15.33%

Notes to Schedule**Valuation date:**

Actuarially determined contribution rates are calculated as of June 30, 12 months prior to the end of the fiscal year in which contributions are reported.

Schedule of Investment Returns - City General and Public Safety Pension Plans
For the Years Ended June 30, 2015 through June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	4.50%	6.60%	11.29%	-1.50%	-1.10%

Note: The City implemented GASB 68 in fiscal year 2015.
Information for the previous years is unavailable.

Schedule of Changes in Net Pension Liability and Related Ratios - VRS
 Primary Government
 For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 2,381,646	\$ 2,495,898	\$ 2,423,842	\$ 2,409,740	\$ 2,553,033
Interest	10,543,188	10,484,207	10,049,084	9,813,324	9,430,342
Changes of benefit terms	-	-	-	65,193	-
Differences between expected and actual experience	4,284,241	(1,772,110)	1,376,065	(1,785,717)	-
Changes in assumptions	-	(2,275,619)	-	-	-
Benefit payments, including refunds of employee contributions	(8,430,548)	(7,749,032)	(7,516,872)	(6,752,212)	(6,272,188)
Net change in total pension liability	<u>\$ 8,778,527</u>	<u>\$ 1,183,344</u>	<u>\$ 6,332,119</u>	<u>\$ 3,750,328</u>	<u>\$ 5,711,187</u>
Total pension liability - beginning	154,832,245	153,648,901	147,316,782	143,566,454	137,855,267
Total pension liability - ending (a)	<u>\$ 163,610,772</u>	<u>\$ 154,832,245</u>	<u>\$ 153,648,901</u>	<u>\$ 147,316,782</u>	<u>\$ 143,566,454</u>
Plan fiduciary net position					
Contributions - employer	\$ 3,606,104	\$ 3,571,518	\$ 3,527,021	\$ 3,485,306	\$ 3,659,625
Contributions - employee	1,478,222	1,633,968	1,393,173	1,355,267	1,374,989
Net investment income	8,775,432	13,186,788	1,867,356	4,869,624	14,717,193
Benefit payments, including refunds of employee contributions	(8,430,548)	(7,749,032)	(7,516,872)	(6,752,212)	(6,272,188)
Administrative expense	(76,892)	(77,024)	(68,917)	(67,435)	(79,665)
Other	(7,769)	(11,711)	(800)	(1,026)	776
Net change in plan fiduciary net position	<u>\$ 5,344,549</u>	<u>\$ 10,554,507</u>	<u>\$ (799,039)</u>	<u>\$ 2,889,524</u>	<u>\$ 13,400,730</u>
Plan fiduciary net position - beginning	119,833,331	109,278,824	110,077,863	107,188,339	93,787,609
Plan fiduciary net position - ending (b)	<u>\$ 125,177,880</u>	<u>\$ 119,833,331</u>	<u>\$ 109,278,824</u>	<u>\$ 110,077,863</u>	<u>\$ 107,188,339</u>
County/City/Town's net pension liability (asset) - ending (a) - (b)	\$ 38,432,892	\$ 34,998,914	\$ 44,370,077	\$ 37,238,919	\$ 36,378,115
Plan fiduciary net position as a percentage of the total pension liability	76.51%	77.40%	71.12%	74.72%	74.66%
Covered payroll	\$ 28,964,535	\$ 28,412,507	\$ 27,216,054	\$ 26,784,659	\$ 27,316,166
County/City/Town's net pension liability (asset) as a percentage of covered payroll	132.69%	123.18%	163.03%	139.03%	133.17%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer's Share of Net Pension Liability VRS Teacher Retirement Plan
For the Measurement Dates of June 30, 2014 through June 30, 2018

	2018	2017	2016	2015	2014
Employer's Proportion of the Net Pension Liability (Asset)	0.0012%	0.0012%	0.00117%	0.00115%	0.00116%
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 141,000	\$ 148,000	\$ 164,000	\$ 150,000	\$ 140,000
Employer's Covered Payroll	95,142	93,276	89,423	85,543	85,118
Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	148.20%	158.67%	183.40%	175.35%	164.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.81%	72.92%	68.28%	70.68%	70.88%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions - VRS Pension
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Primary Government					
2019	\$ 3,545,470	\$ 3,545,470	\$ -	\$ 29,415,870	12.05%
2018	3,613,693	3,613,693	-	28,964,535	12.48%
2017	3,616,912	3,616,912	-	28,412,507	12.73%
2016	3,557,138	3,557,138	-	27,216,054	13.07%
2015	3,500,755	3,500,755	-	26,784,659	13.07%
2014	3,425,447	3,425,447	-	27,316,166	12.54%
2013	3,499,490	3,499,490	-	27,906,618	12.54%
2012	2,592,079	2,592,079	-	26,156,197	9.91%
2011	2,586,088	2,586,088	-	26,095,738	9.91%
2010	2,258,663	2,258,663	-	26,479,053	8.53%
Component Unit School Board (professional)					
2019	\$ 16,161	\$ 16,161	\$ -	\$ 95,142	16.99%
2018	13,674	13,674	-	95,142	14.37%
2017	12,573	12,573	-	93,276	13.48%
2016	12,404	12,404	-	89,423	13.87%
2015	9,925	9,925	-	85,543	11.60%

Schedule is intended to show information for 10 years. Information for the School Board (professional plan prior to 2015 is not available. However, additional years will be included as they become available.

Notes to Required Supplementary Information - VRS Pension
For the Year Ended June 30, 2019

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Largest 10 - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

All Others (Non 10 Largest) - Non-Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Lowered rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest 10 - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience
Disability Rates	Increased rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

All Others (Non 10 Largest) - Hazardous Duty:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates, and lowered rates at older ages
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better fit experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Component Unit School Board - Professional Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Schedule of Changes in Total OPEB Liability and Related Ratios
City Pay-As-You-Go OPEB Plan
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 493,978	\$ 479,137
Interest	509,096	489,539
Differences between expected and actual experience	429,083	(37,111)
Changes in assumptions	2,186,815	(117,292)
Benefit payments	(525,039)	(493,675)
Net change in total OPEB liability	<u>\$ 3,093,933</u>	<u>\$ 320,598</u>
Total OPEB liability - beginning	<u>14,078,960</u>	<u>13,758,362</u>
Total OPEB liability - ending	<u><u>\$ 17,172,893</u></u>	<u><u>\$ 14,078,960</u></u>
Covered payroll	\$ 36,723,863	\$ 33,143,226
City's total OPEB liability (asset) as a percentage of covered payroll	46.76%	42.48%

Schedule is intended to show information for 10 years. Additional years will be included as they become available.

Notes to Required Supplementary Information - City Pay-As-You-Go OPEB Plan
For the Year Ended June 30, 2019

Valuation Date: 6/30/2018
Measurement Date: 6/30/2019

No assets are accumulated in a trust that meets the criteria in GASB 75 to pay related benefits.

Methods and assumptions used to determine OPEB liability:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll
Discount Rate	3.13% as of June 30, 2019 and 3.62% as of June 30, 2018
Inflation	2.50%
Healthcare Trend Rate	Initial trend of 9.0% gradually decreasing to an ultimate trend rate of 3.5% in year 10
Salary Increase Rates	3.75 to 7.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition and date of hire
Mortality Rates	RP-2014 Fully Generational Mortality Tables, adjusted backwards to 2006 with the MP-2014 Scale. Future mortality improvements assumed each year using scale MP-2017.

Schedule of City of Fairfax, Virginia's Share of Net OPEB Liability
 Group Life Insurance Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net GLI OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net GLI OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total GLI OPEB Liability (6)
Component Unit School Board (professional)					
2018	0.00051% \$	8,000 \$	95,142	8.41%	51.22%
2017	0.00050%	8,000	93,276	8.58%	48.86%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Group Life Insurance Program
 For the Years Ended June 30, 2010 through June 30, 2019

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
Component Unit School Board (professional)					
2019	\$ 495	\$ 495	-	\$ 95,142	0.52%
2018	495	495	-	95,142	0.52%
2017	485	485	-	93,276	0.52%
2016	429	429	-	89,423	0.48%
2015	411	411	-	85,543	0.48%
2014	409	409	-	85,118	0.48%
2013	395	395	-	82,239	0.48%
2012	215	215	-	76,881	0.28%
2011	213	213	-	76,214	0.28%
2010	162	162	-	80,025	0.20%

Notes to Required Supplementary Information
 Group Life Insurance Program
 For the Year Ended June 30, 2019

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Teachers

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 20%

Non-Largest Ten Locality Employers - General Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages and extended final retirement age from 70 to 75
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Lowered disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 14% to 15%

Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered retirement rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Increased disability rates
Salary Scale	No change
Line of Duty Disability	Increased rate from 60% to 70%

Non-Largest Ten Locality Employers - Hazardous Duty Employees

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Increased age 50 rates and lowered rates at older ages
Withdrawal Rates	Adjusted termination rates to better fit experience at each age and service year
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change
Line of Duty Disability	Decreased rate from 60% to 45%

Schedule of Fairfax City School Board's Share of Net OPEB Liability
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Measurement Dates of June 30, 2018 and 2017

Date (1)	Employer's Proportion of the Net HIC OPEB Liability (Asset) (2)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) (3)	Employer's Covered Payroll (4)	Employer's Proportionate Share of the Net HIC OPEB Liability (Asset) as a Percentage of Covered Payroll (3)/(4) (5)	Plan Fiduciary Net Position as a Percentage of Total HIC OPEB Liability (6)
2018	0.00118%	\$ 15,000	\$ 95,142	15.77%	8.08%
2017	0.00118%	15,000	93,276	16.08%	7.04%

Schedule is intended to show information for 10 years. Information prior to the 2017 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Years Ended June 30, 2010 through June 30, 2019

<u>Date</u>	<u>Contractually Required Contribution (1)</u>	<u>Contributions in Relation to Contractually Required Contribution (2)</u>	<u>Contribution Deficiency (Excess) (3)</u>	<u>Employer's Covered Payroll (4)</u>	<u>Contributions as a % of Covered Payroll (5)</u>
2019	\$ 1,142	\$ 1,142	\$ -	\$ 95,142	1.20%
2018	1,170	1,170	-	95,142	1.23%
2017	1,035	1,035	-	93,276	1.11%
2016	948	948	-	89,423	1.06%
2015	907	907	-	85,543	1.06%
2014	945	945	-	85,118	1.11%
2013	913	913	-	82,239	1.11%
2012	461	461	-	76,881	0.60%
2011	459	459	-	76,214	0.60%
2010	624	624	-	80,025	0.78%

Notes to Required Supplementary Information
 Teacher Employee Health Insurance Credit (HIC) Program
 For the Year Ended June 30, 2019

Changes of benefit terms - There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2016 based on the most recent experience study of the System for the four-year period ending June 30, 2016:

Mortality Rates (pre-retirement, post-retirement healthy, and disabled)	Updated to a more current mortality table - RP-2014 projected to 2020
Retirement Rates	Lowered rates at older ages and changed final retirement from 70 to 75
Withdrawal Rates	Adjusted rates to better fit experience at each year age and service through 9 years of service
Disability Rates	Adjusted rates to better match experience
Salary Scale	No change

Combining Balance Sheet
 Nonmajor Governmental Funds
 At June 30, 2019

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Legacy for Fairfax Fund	Old Town Fairfax Fund	Commercial Transportation Tax Fund	Stormwater Fund	
Assets					
Cash and cash equivalents	\$ 429,868	\$ 200,257	\$ 3,654,752	\$ 1,693,210	\$ 5,978,087
Prepaid items	14,993	5,868	64,535	3,323	88,719
Due from other governmental units	-	6,088	-	-	6,088
Total assets	<u>\$ 444,861</u>	<u>\$ 212,213</u>	<u>\$ 3,719,287</u>	<u>\$ 1,696,533</u>	<u>\$ 6,072,894</u>
Liabilities					
Accounts payable	\$ 46,678	\$ 56,436	\$ -	\$ 92,026	\$ 195,140
Total liabilities	<u>\$ 46,678</u>	<u>\$ 56,436</u>	<u>\$ -</u>	<u>\$ 92,026</u>	<u>\$ 195,140</u>
Fund Balances					
Fund balances:					
Nonspendable	\$ 14,993	\$ 5,868	\$ 64,535	\$ 3,323	\$ 88,719
Restricted	383,190	-	-	-	383,190
Assigned	-	149,909	3,654,752	1,601,184	5,405,845
Total fund balances	<u>\$ 398,183</u>	<u>\$ 155,777</u>	<u>\$ 3,719,287</u>	<u>\$ 1,604,507</u>	<u>\$ 5,877,754</u>
Total liabilities and fund balances	<u>\$ 444,861</u>	<u>\$ 212,213</u>	<u>\$ 3,719,287</u>	<u>\$ 1,696,533</u>	<u>\$ 6,072,894</u>

Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2019

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Legacy for Fairfax Fund	Old Town Fairfax Fund	Commercial Transportation Tax Fund	Stormwater Fund	
Revenues					
Other local taxes	\$ -	\$ -	\$ 2,307,666	\$ -	\$ 2,307,666
Permits, privilege fees and regulatory licenses	-	-	-	14,730	14,730
Miscellaneous	29,700	-	-	-	29,700
Intergovernmental:					
Commonwealth	-	6,088	-	-	6,088
Total revenues	\$ 29,700	\$ 6,088	\$ 2,307,666	\$ 14,730	\$ 2,358,184
Expenditures					
Current:					
Public works	\$ -	\$ 213,934	\$ 260,875	\$ 1,397,811	\$ 1,872,620
Parks, recreation and cultural	135,151	-	-	-	135,151
Total expenditures	\$ 135,151	\$ 213,934	\$ 260,875	\$ 1,397,811	\$ 2,007,771
Excess (deficiency) of revenue over (under) expenditures	\$ (105,451)	\$ (207,846)	\$ 2,046,791	\$ (1,383,081)	\$ 350,413
Other financing sources (uses)					
Transfers in	\$ -	\$ -	\$ 2,391,344	\$ 1,839,877	\$ 4,231,221
Transfers (out)	-	(6,897)	(8,071,282)	-	(8,078,179)
Total other financing sources (uses)	\$ -	\$ (6,897)	\$ (5,679,938)	\$ 1,839,877	\$ (3,846,958)
Net changes in fund balances	\$ (105,451)	\$ (214,743)	\$ (3,633,147)	\$ 456,796	\$ (3,496,545)
Fund balances, beginning	503,634	370,520	7,352,434	1,147,711	9,374,299
Fund balances, ending	<u>\$ 398,183</u>	<u>\$ 155,777</u>	<u>\$ 3,719,287</u>	<u>\$ 1,604,507</u>	<u>\$ 5,877,754</u>

Combining Statement of Fiduciary Net Position
 Fiduciary Funds
 At June 30, 2019

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
	<u> </u>	<u> </u>	<u> </u>
Assets			
Mutual and money market funds	\$ 59,839,075	\$ 67,930,790	\$ 127,769,865
Accrued interest	<u>685</u>	<u>778</u>	<u>1,463</u>
Total assets	<u>\$ 59,839,760</u>	<u>\$ 67,931,568</u>	<u>\$ 127,771,328</u>
Net Position			
Held in trust for pension benefits	<u>\$ 59,839,760</u>	<u>\$ 67,931,568</u>	<u>\$ 127,771,328</u>

Combining Statement of Changes in Fiduciary Net Position
 Fiduciary Funds
 Year Ended June 30, 2019

	City Supplemental Pension Trust Fund	Firefighters, Policemen and Policewomen Pension Trust Fund	Totals
Additions			
Plan member and employer contributions	\$ 1,449,452	\$ 2,250,514	\$ 3,699,966
Investment income:			
Interest and dividends earned on investments	\$ 761,034	858,187	\$ 1,619,221
Net appreciation in fair value of investments	1,981,921	2,234,935	4,216,856
Total investment income	\$ 2,742,955	\$ 3,093,122	\$ 5,836,077
Less: Investment expenses	394,697	445,084	839,781
Net investment income	\$ 2,348,258	\$ 2,648,038	\$ 4,996,296
Total additions	\$ 3,797,710	\$ 4,898,552	\$ 8,696,262
Deductions			
Retirement and disability benefits	\$ 3,619,368	\$ 4,822,817	\$ 8,442,185
Total deductions	\$ 3,619,368	\$ 4,822,817	\$ 8,442,185
Change in net position	\$ 178,342	\$ 75,735	\$ 254,077
Net position - beginning	59,661,418	67,855,833	127,517,251
Net position - ending	\$ 59,839,760	\$ 67,931,568	\$ 127,771,328

Combining Balance Sheet -
 Discretely Presented Component Unit - School Board
 At June 30, 2019

	<u>School Operating Fund</u>	<u>School Bond Renovation Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 2,500	\$ 2,500
Advance to Fairfax County Public Schools	-	552,745	552,745
Due from other governments	<u>819,795</u>	<u>-</u>	<u>819,795</u>
Total assets	<u>\$ 819,795</u>	<u>\$ 555,245</u>	<u>\$ 1,375,040</u>
LIABILITIES			
Accounts payable	\$ 345,864	\$ -	\$ 345,864
Due to primary government	<u>473,931</u>	<u>-</u>	<u>473,931</u>
Total liabilities	<u>\$ 819,795</u>	<u>\$ -</u>	<u>\$ 819,795</u>
FUND BALANCES			
Nonspendable - advance	\$ -	\$ 552,745	\$ 552,745
Assigned - capital projects	<u>-</u>	<u>2,500</u>	<u>2,500</u>
Total fund balances	<u>\$ -</u>	<u>\$ 555,245</u>	<u>\$ 555,245</u>
Total liabilities and fund balances	<u>\$ 819,795</u>	<u>\$ 555,245</u>	<u>\$ 1,375,040</u>

Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position -
Discretely Presented Component Unit - School Board
At June 30, 2019

		<u>Governmental Funds</u>
Total fund balances - governmental funds	\$	555,245
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:		
Capital assets:		
Land	\$	1,381,115
Buildings and improvements		51,082,507
Machinery and equipment		1,400,242
Accumulated depreciation		<u>(33,709,322)</u>
		20,174,371
Deferred outflows of resources are not available to pay for current-period expenditures and, therefore are not reported in the funds.		
Pension related items	\$	19,161
OPEB related items		<u>1,637</u>
		20,798
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.		
Net pension liability	\$	(141,000)
Net OPEB liability		(23,000)
Compensated absences		<u>(40,356)</u>
		(204,356)
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds.		
Pension related items	\$	(15,000)
OPEB related items		<u>(1,000)</u>
		(16,000)
Net position of governmental activities	\$	<u>20,530,058</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2019

	School Operating Fund	School Bond Renovation Fund	Total
Revenues:			
Revenue from use of money and property	\$ 1,747,821	\$ -	\$ 1,747,821
Charges for services	735,198	-	735,198
Intergovernmental:			
City contribution to School Board	39,067,591	-	39,067,591
Commonwealth	8,365,807	-	8,365,807
Total revenues	\$ 49,916,417	\$ -	\$ 49,916,417
Expenditures:			
Current:			
Education	\$ 49,916,417	\$ -	\$ 49,916,417
Total expenditures	\$ 49,916,417	\$ -	\$ 49,916,417
Net changes in fund balances	\$ -	\$ -	\$ -
Fund balances at beginning of year	-	555,245	555,245
Fund balances at end of year	-	555,245	555,245

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities -
Discretely Presented Component Unit - School Board
Year Ended June 30, 2019

	<u>Governmental Funds</u>
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net changes in fund balances - total governmental funds	\$ -
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the depreciation expense exceeded capital outlay in the current period.</p>	
Depreciation expense	\$ <u>(3,219,674)</u> (3,219,674)
Transfer of joint tenancy assets from Primary Government to Component Unit School Board, net	1,300,238
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:</p>	
Pension expense	\$ 8,487
OPEB expense	(28)
Change in compensated absences	<u>(10,839)</u> <u>(2,380)</u>
Change in net position of governmental activities	\$ <u><u>(1,921,816)</u></u>

Combining Statement of Net Position -
Discretely Presented Nonmajor Component Units
At June 30, 2019

	<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 585,458	\$ 696,040	\$ 1,281,498
Inventory - property held for resale	<u>-</u>	<u>862,594</u>	<u>862,594</u>
Total assets	<u>\$ 585,458</u>	<u>\$ 1,558,634</u>	<u>\$ 2,144,092</u>
LIABILITIES			
Current liabilities:			
Due to primary government	<u>\$ -</u>	<u>\$ 1,100,825</u>	<u>\$ 1,100,825</u>
Total current liabilities	<u>\$ -</u>	<u>\$ 1,100,825</u>	<u>\$ 1,100,825</u>
NET POSITION			
Unrestricted	<u>\$ 585,458</u>	<u>\$ 457,809</u>	<u>\$ 1,043,267</u>
Total net position	<u>\$ 585,458</u>	<u>\$ 457,809</u>	<u>\$ 1,043,267</u>
Total liabilities and net position	<u>\$ 585,458</u>	<u>\$ 1,558,634</u>	<u>\$ 2,144,092</u>

Combining Statement of Activities -
Discretely Presented Nonmajor Component Units
Year Ended June 30, 2019

Functions/Programs	Program Revenues						Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Industrial Development Authority	Economic Development Authority	
Nonmajor component units:							
Industrial Development Authority	\$ 992,549	\$ -	\$ -	\$ -	\$ (992,549)	\$ -	\$ (992,549)
Economic Development Authority	180,738	-	-	-	-	(180,738)	(180,738)
Total nonmajor component units	<u>\$ 1,173,287</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (992,549)</u>	<u>\$ (180,738)</u>	<u>\$ (1,173,287)</u>
General revenues:							
Unrestricted revenues from use of money and property					\$ 744,625	\$ 25,921	\$ 770,546
Miscellaneous					-	473,985	473,985
Total general revenues					<u>\$ 744,625</u>	<u>\$ 499,906</u>	<u>\$ 1,244,531</u>
Change in net position					\$ (247,924)	\$ 319,168	\$ 71,244
Net position - beginning					833,382	138,641	972,023
Net position - ending					<u>\$ 585,458</u>	<u>\$ 457,809</u>	<u>\$ 1,043,267</u>

Combining Balance Sheet -
Discretely Presented Nonmajor Component Units
At June 30, 2019

	Industrial Development Authority	Economic Development Authority	Total
ASSETS			
Cash and cash equivalents	\$ 585,458	\$ 696,040	\$ 1,281,498
Total assets	<u>\$ 585,458</u>	<u>\$ 696,040</u>	<u>\$ 1,281,498</u>
LIABILITIES			
Due to primary government	\$ -	\$ 1,100,825	\$ 1,100,825
Total liabilities	<u>\$ -</u>	<u>\$ 1,100,825</u>	<u>\$ 1,100,825</u>
FUND BALANCES			
Unassigned	\$ 585,458	\$ (404,785)	\$ 180,673
Total fund balances	<u>\$ 585,458</u>	<u>\$ (404,785)</u>	<u>\$ 180,673</u>
Total liabilities and fund balances	<u>\$ 585,458</u>	<u>\$ 696,040</u>	<u>\$ 1,281,498</u>

Combining Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position -
 Discretely Presented Nonmajor Component Units
 At June 30, 2019

	<u>Industrial Development Authority</u>	<u>Economic Development Authority</u>	<u>Totals</u>
Total fund balances - governmental funds	\$ 585,458	\$ (404,785)	\$ 180,673
Amounts reported for governmental activities in the statement of net position are different because:			
Assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds:			
Inventory held for resale	<u>-</u>	<u>862,594</u>	<u>862,594</u>
Net position of governmental activities	<u>\$ 585,458</u>	<u>\$ 457,809</u>	<u>\$ 1,043,267</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Discretely Presented Nonmajor Component Units
Year Ended June 30, 2019

	Industrial Development Authority	Economic Development Authority	Totals
Revenues:			
Revenue from use of money and property	\$ 744,625	\$ 25,921	\$ 770,546
Miscellaneous	-	473,985	473,985
Total revenues	<u>\$ 744,625</u>	<u>\$ 499,906</u>	<u>\$ 1,244,531</u>
Expenditures:			
Current:			
Planning and community development	\$ 992,549	\$ 180,738	\$ 1,173,287
Total expenditures	<u>\$ 992,549</u>	<u>\$ 180,738</u>	<u>\$ 1,173,287</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (247,924)</u>	<u>\$ 319,168</u>	<u>\$ 71,244</u>
Net changes in fund balances	\$ (247,924)	\$ 319,168	\$ 71,244
Fund balances at beginning of year	<u>833,382</u>	<u>(723,953)</u>	<u>109,429</u>
Fund balances at end of year	<u><u>\$ 585,458</u></u>	<u><u>\$ (404,785)</u></u>	<u><u>\$ 180,673</u></u>

STATISTICAL SECTION
TABLE OF CONTENTS

The statistical section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information presented in the financial statements, note disclosures and required supplementary information say about the City's overall financial health. This information has not been audited by the independent auditor.

Contents	Table Number
<p>Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well being have changed over time.</p>	1 to 5
<p>Revenue Capacity These tables contain information to help the reader assess the City's most significant local revenue sources, the property tax, as well as other revenue sources.</p>	6 to 10
<p>Debt Capacity These tables present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.</p>	11 to 13
<p>Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</p>	14
<p>Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</p>	15 to 18

Sources:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the relevant year.

The following statistical table recommended by the National Council on Governmental Accounting is not included for the reason stated below:

The City of Fairfax, Virginia has no overlapping debt with any other government within its boundaries. Cities in the Commonwealth of Virginia are not part of the surrounding counties, and cities have no political subdivisions.

CITY OF FAIRFAX, VIRGINIA

Net Position By Component
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (Unaudited)

	2010	2011	2012	2013
Governmental activities:				
Net investment in capital assets	\$ 39,308,283	\$ 39,486,639	\$ 50,255,490	\$ 53,890,492
Restricted	-	-	-	-
Unrestricted	<u>25,359,148</u>	<u>24,969,176</u>	<u>20,076,021</u>	<u>20,325,737</u>
Total governmental activities net position	<u>\$ 64,667,431</u>	<u>\$ 64,455,815</u>	<u>\$ 70,331,511</u>	<u>\$ 74,216,229</u>
Business-type activities:				
Net investment in capital assets	\$ 24,498,812	\$ 22,938,374	\$ 23,422,114	\$ 25,745,684
Unrestricted	<u>3,697,754</u>	<u>4,709,709</u>	<u>2,536,617</u>	<u>1,471,619</u>
Total business-type activities net position	<u>\$ 28,196,566</u>	<u>\$ 27,648,083</u>	<u>\$ 25,958,731</u>	<u>\$ 27,217,303</u>
Primary government:				
Net investment in capital assets	\$ 63,807,095	\$ 62,425,013	\$ 73,677,604	\$ 79,636,176
Restricted	-	-	-	-
Unrestricted (deficit)	<u>29,056,902</u>	<u>29,678,885</u>	<u>22,612,638</u>	<u>21,797,356</u>
Total primary government net position	<u>\$ 92,863,997</u>	<u>\$ 92,103,898</u>	<u>\$ 96,290,242</u>	<u>\$ 101,433,532</u>
Component units:				
Component unit - school board:				
Net investment in capital assets	\$ 14,268,025	\$ 13,162,745	\$ 9,923,786	\$ 8,786,215
Unrestricted	<u>2,401,691</u>	<u>1,664,486</u>	<u>1,345,893</u>	<u>1,350,904</u>
Total component unit - school board net position	<u>\$ 16,669,716</u>	<u>\$ 14,827,231</u>	<u>\$ 11,269,679</u>	<u>\$ 10,137,119</u>
Component unit - all others aggregate				
Unrestricted (deficit)	\$ (170,104)	\$ (10,165)	\$ (16,352)	\$ 427,561
Total component unit - all others aggregate net position	<u>\$ (170,104)</u>	<u>\$ (10,165)</u>	<u>\$ (16,352)</u>	<u>\$ 427,561</u>
Component units:				
Net investment in capital assets	\$ 14,268,025	\$ 13,162,745	\$ 9,923,786	\$ 8,786,215
Unrestricted (deficit)	<u>2,231,587</u>	<u>1,654,321</u>	<u>1,329,541</u>	<u>1,778,465</u>
Total component units net position	<u>\$ 16,499,612</u>	<u>\$ 14,817,066</u>	<u>\$ 11,253,327</u>	<u>\$ 10,564,680</u>
Total reporting entity:				
Net investment in capital assets	\$ 78,075,120	\$ 75,587,758	\$ 83,601,390	\$ 88,422,391
Restricted	-	-	-	-
Unrestricted (deficit)	<u>31,288,489</u>	<u>31,333,206</u>	<u>23,942,179</u>	<u>23,575,821</u>
Total reporting entity net position	<u>\$ 109,363,609</u>	<u>\$ 106,920,964</u>	<u>\$ 107,543,569</u>	<u>\$ 111,998,212</u>

Table 1

	2014	2015	2016	2017	2018	2019
\$	63,399,428	\$ 65,367,317	\$ 71,652,799	\$ 89,994,608	\$ 92,337,222	\$ 110,643,629
	-	-	1,853,012	-	-	-
	<u>18,424,001</u>	<u>(15,838,209)</u>	<u>(12,935,193)</u>	<u>(17,230,148)</u>	<u>(34,599,438)</u>	<u>(37,890,603)</u>
\$	<u>81,823,429</u>	<u>49,529,108</u>	<u>60,570,618</u>	<u>72,764,460</u>	<u>57,737,784</u>	<u>72,753,026</u>
\$	7,100,899	\$ 12,154,408	\$ 13,084,192	\$ 16,760,073	\$ 14,815,699	\$ 12,941,456
	<u>3,678,285</u>	<u>(3,269,148)</u>	<u>(2,464,223)</u>	<u>(4,915,848)</u>	<u>(3,331,788)</u>	<u>1,440,834</u>
\$	<u>10,779,184</u>	<u>8,885,260</u>	<u>10,619,969</u>	<u>11,844,225</u>	<u>11,483,911</u>	<u>14,382,290</u>
\$	70,500,327	\$ 77,521,725	\$ 84,736,991	\$ 106,754,681	\$ 107,152,921	\$ 123,585,085
	-	-	1,853,012	-	-	-
	<u>22,102,286</u>	<u>(19,107,357)</u>	<u>(15,399,416)</u>	<u>(22,145,996)</u>	<u>(37,931,226)</u>	<u>(36,449,769)</u>
\$	<u>92,602,613</u>	<u>58,414,368</u>	<u>71,190,587</u>	<u>84,608,685</u>	<u>69,221,695</u>	<u>87,135,316</u>
\$	7,567,026	\$ 5,943,493	\$ 4,215,500	\$ 2,408,470	\$ 22,093,807	\$ 20,174,371
	<u>1,323,608</u>	<u>1,060,848</u>	<u>1,065,071</u>	<u>1,090,278</u>	<u>358,067</u>	<u>355,687</u>
\$	<u>8,890,634</u>	<u>7,004,341</u>	<u>5,280,571</u>	<u>3,498,748</u>	<u>22,451,874</u>	<u>20,530,058</u>
\$	537,986	\$ 501,631	\$ 438,089	\$ 701,999	\$ 972,023	\$ 1,043,267
\$	<u>537,986</u>	<u>501,631</u>	<u>438,089</u>	<u>701,999</u>	<u>972,023</u>	<u>1,043,267</u>
\$	7,567,026	\$ 5,943,493	\$ 4,215,500	\$ 2,408,470	\$ 22,093,807	\$ 20,174,371
	<u>1,861,594</u>	<u>1,562,479</u>	<u>1,503,160</u>	<u>1,792,277</u>	<u>1,330,090</u>	<u>1,398,954</u>
\$	<u>9,428,620</u>	<u>7,505,972</u>	<u>5,718,660</u>	<u>4,200,747</u>	<u>23,423,897</u>	<u>21,573,325</u>
\$	78,067,353	\$ 83,465,218	\$ 88,952,491	\$ 109,163,151	\$ 129,246,728	\$ 143,759,456
	-	-	1,853,012	-	-	-
	<u>23,963,880</u>	<u>(17,544,878)</u>	<u>(13,896,256)</u>	<u>(20,353,719)</u>	<u>(36,601,136)</u>	<u>(35,050,815)</u>
\$	<u>102,031,233</u>	<u>65,920,340</u>	<u>76,909,247</u>	<u>88,809,432</u>	<u>92,645,592</u>	<u>108,708,641</u>

Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses:										
Governmental activities:										
General government administration	\$ 7,163,564	\$ 7,909,199	\$ 7,724,635	\$ 6,866,783	\$ 7,903,372	\$ 10,251,105	\$ 10,396,072	\$ 15,427,080	\$ 13,246,118	\$ 11,767,354
Judicial administration	2,032,559	1,810,335	2,005,982	2,066,544	2,527,823	2,566,975	2,760,270	2,641,135	2,849,199	2,312,436
Public safety	22,569,030	23,001,352	23,066,551	24,072,403	25,761,694	24,773,928	24,685,951	28,319,921	29,330,107	30,930,693
Public works	10,373,323	14,190,482	15,213,056	15,425,436	18,350,340	18,944,387	25,058,080	18,019,293	24,659,649	18,056,484
Health and social services	4,839,913	4,715,869	4,811,623	5,168,971	5,287,258	5,591,135	5,755,718	5,989,432	6,385,447	6,678,195
Parks, recreation and cultural	4,735,093	7,490,623	4,832,756	5,067,701	6,239,803	8,089,994	7,111,958	7,621,091	7,423,229	7,776,853
Planning and community development	2,108,858	2,072,584	2,414,662	2,761,343	2,096,919	2,444,565	2,468,106	2,541,882	2,853,045	3,211,377
Education	35,884,552	35,635,880	35,682,802	40,413,546	42,997,193	42,165,145	39,722,829	39,529,350	43,851,048	44,119,478
Interest	6,863,092	7,580,448	5,802,938	6,311,082	5,932,138	5,209,890	5,261,694	5,572,324	3,770,205	4,398,387
Total governmental activities expenses	\$ 96,569,984	\$ 104,406,772	\$ 101,555,005	\$ 108,153,809	\$ 117,096,540	\$ 120,037,124	\$ 123,220,678	\$ 125,661,508	\$ 134,368,047	\$ 129,251,257
Business-type activities:										
Wastewater	\$ 3,770,579	\$ 4,417,029	\$ 4,768,856	\$ 4,145,887	\$ 5,396,798	\$ 5,445,448	\$ 6,357,667	\$ 6,532,510	\$ 6,985,840	\$ 6,878,926
Water	8,503,675	9,706,260	9,286,729	9,116,938	7,199,246	102,544	96,419	62	-	-
Transportation	2,981,900	2,977,867	2,977,927	3,126,339	3,472,495	3,481,209	6,646,669	4,211,823	4,190,978	4,246,680
Total business-type activities expenses	\$ 15,256,154	\$ 17,101,156	\$ 17,033,512	\$ 16,389,164	\$ 16,068,539	\$ 9,029,201	\$ 13,100,755	\$ 10,744,395	\$ 11,176,818	\$ 11,125,606
Total primary government expenses	\$ 111,826,138	\$ 121,507,928	\$ 118,588,517	\$ 124,542,973	\$ 133,165,079	\$ 129,066,325	\$ 136,321,433	\$ 136,405,903	\$ 145,544,865	\$ 140,376,863
Program revenue:										
Governmental activities:										
Charges for services:										
General government administration	\$ 263,865	\$ 291,048	\$ 386,170	\$ 323,121	\$ 242,671	\$ 318,520	\$ 310,464	\$ 294,818	\$ 295,811	\$ 278,206
Judicial administration	855,289	1,005,567	1,026,807	944,447	1,011,907	1,331,838	1,369,624	1,450,925	1,540,749	1,315,495
Public safety	1,675,070	1,700,143	2,633,859	2,628,651	2,251,606	1,979,808	1,924,837	2,043,009	2,223,789	2,068,077
Public works	378,634	624,368	382,035	369,964	436,455	433,037	424,200	470,969	538,581	699,270
Parks, recreation and cultural	946,381	1,027,621	1,075,741	991,345	996,192	1,103,761	1,292,436	1,278,022	1,499,689	1,547,129
Planning and community development	386,282	282,954	358,896	288,651	336,430	377,567	277,677	226,924	276,205	216,330
Operating grants and contributions:										
General government administration	301,953	262,777	271,658	260,485	276,398	335,323	344,923	444,375	480,771	378,758
Public safety	1,480,939	1,278,573	969,851	912,478	1,340,855	-	1,093,181	1,335,099	1,890,426	1,218,981
Public works	2,120,166	2,193,594	2,277,255	2,557,748	2,459,170	1,196,520	2,548,618	2,638,335	2,700,501	2,787,324
Parks, recreation and cultural	30,499	23,084	19,245	-	32,500	2,449,215	801,116	810,779	844,490	4,500
Planning and community development	-	-	-	3,527	-	-	-	-	-	-
Capital grants and contributions:										
Public safety	-	-	-	-	-	-	-	-	600,000	1,359,022
Public works	595,393	1,662,535	2,138,099	1,576,275	3,193,417	7,035,270	11,132,480	11,459,648	18,189,782	11,533,207
Parks, recreation and cultural	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenue	\$ 9,034,471	\$ 10,352,264	\$ 11,539,616	\$ 10,856,692	\$ 12,577,601	\$ 16,560,859	\$ 21,519,556	\$ 22,452,903	\$ 31,080,794	\$ 23,406,299
Business-type activities:										
Charges for services:										
Wastewater	\$ 3,532,646	\$ 4,178,752	\$ 4,499,929	\$ 5,221,887	\$ 4,752,802	\$ 6,095,415	\$ 6,346,155	\$ 7,572,436	\$ 9,000,919	\$ 9,403,803
Water	9,319,840	9,141,327	7,765,200	9,835,466	5,418,292	-	-	-	-	-
Transportation	811,570	1,195,092	1,153,240	1,332,652	1,298,553	1,309,277	1,282,670	1,225,567	793,755	1,138,470
Operating grants and contributions:										
Wastewater	-	-	-	209,767	284,508	-	-	-	-	377,580
Water	-	-	-	193,631	89,845	-	-	-	-	-
Transportation	1,707,647	1,814,754	1,039,435	1,122,784	224,602	855,874	3,045,305	828,000	227,467	-
Capital grants and contributions:										
Wastewater	-	92,064	209,767	-	-	-	-	-	-	-
Water	-	84,982	193,631	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	2,536,210	-	-	628,000
Total business-type activities program revenues	\$ 15,371,703	\$ 16,506,971	\$ 14,861,202	\$ 17,916,187	\$ 12,068,602	\$ 8,260,566	\$ 13,210,340	\$ 9,626,003	\$ 10,022,141	\$ 11,547,853
Total primary government program revenues	\$ 24,406,174	\$ 26,859,235	\$ 26,400,818	\$ 28,772,879	\$ 24,646,203	\$ 24,821,425	\$ 34,729,896	\$ 32,078,906	\$ 41,102,935	\$ 34,954,152
Net (expense) revenue:										
Governmental activities	\$ (87,535,513)	\$ (94,054,508)	\$ (90,015,389)	\$ (97,297,117)	\$ (104,518,939)	\$ (103,476,265)	\$ (101,701,122)	\$ (103,208,605)	\$ (103,287,253)	\$ (105,844,958)
Business-type activities	115,549	(594,185)	(2,172,310)	1,527,023	(3,999,937)	(768,635)	109,585	(1,118,392)	(1,154,677)	422,247
Total primary government net expense	\$ (87,419,964)	\$ (94,648,693)	\$ (92,187,699)	\$ (95,770,094)	\$ (108,518,876)	\$ (104,244,900)	\$ (101,591,537)	\$ (104,326,997)	\$ (104,441,930)	\$ (105,422,711)
General revenues and other changes in net position:										
Governmental activities:										
Taxes:										
General property	\$ 56,195,202	\$ 56,379,581	\$ 57,215,662	\$ 65,024,377	\$ 66,643,189	\$ 68,867,941	\$ 72,363,196	\$ 76,549,453	\$ 77,535,525	\$ 78,319,253
Local sales	10,644,038	9,907,063	10,200,696	10,263,955	11,580,673	11,181,909	11,283,271	11,276,435	11,721,703	11,836,812
Business license	7,485,809	8,151,072	8,554,669	8,932,634	8,709,712	8,740,824	8,838,556	8,698,368	8,745,395	9,344,777
Consumer utility	1,547,114	1,551,010	1,727,091	1,704,649	1,653,003	1,710,251	1,660,434	1,524,189	1,607,476	1,577,007
Meals	4,654,171	4,938,869	5,252,922	5,553,975	5,703,399	5,771,239	5,918,534	5,972,064	5,967,535	6,374,777
Other local taxes	3,760,252	4,117,253	4,513,531	4,353,693	4,436,047	4,567,148	8,068,674	8,229,780	8,461,494	7,603,370
Intergovernmental, other than grants	5,673,620	5,691,383	5,656,930	5,679,569	5,674,059	5,676,034	3,428,813	3,440,176	3,486,573	5,544,011
Gain/(loss) on disposal of capital assets	2,915,936	-	-	582,790	-	-	-	-	-	-
Use of money and property	350,867	282,100	161,424	130,632	628,143	896,735	734,272	929,833	1,366,908	1,861,660
Miscellaneous	2,200,585	2,845,072	372,970	491,046	7,088,666	2,462,153	1,221,634	345,723	400,836	693,952
Transfers	(780,000)	(20,511)	(428,000)	(115,181)	9,248	(310,186)	(774,752)	(1,563,574)	(1,424,406)	(2,295,419)
Total governmental activities	\$ 94,647,594	\$ 93,842,892	\$ 93,227,895	\$ 102,602,139	\$ 112,126,139	\$ 109,564,048	\$ 112,742,632	\$ 115,402,447	\$ 117,869,039	\$ 120,860,200

Changes In Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Program revenue: (Continued)										
Business-type activities:										
Use of money and property	\$ (3,516)	\$ 25,191	\$ 54,958	\$ 48,589	\$ 26,106	\$ 24,836	\$ 428,437	\$ 93,898	\$ 192,214	\$ 180,713
Special items	-	-	-	-	(12,455,040)	666,219	421,935	-	-	-
Miscellaneous	-	-	-	-	-	-	-	375,765	376,168	-
Transfers	780,000	20,511	428,000	115,181	(9,248)	310,186	774,752	1,563,574	1,424,406	2,295,419
Total business-type activities	\$ 776,484	\$ 45,702	\$ 482,958	\$ 163,770	\$ (12,438,182)	\$ 1,001,241	\$ 1,625,124	\$ 2,033,237	\$ 1,992,788	\$ 2,476,132
Total primary government	\$ 95,424,078	\$ 93,888,594	\$ 93,710,853	\$ 102,765,909	\$ 99,687,957	\$ 110,565,289	\$ 114,367,756	\$ 117,435,684	\$ 119,861,827	\$ 123,336,332
Changes in net position:										
Governmental activities	\$ 7,112,081	\$ (211,616)	\$ 3,212,506	\$ 5,305,022	\$ 7,607,200	\$ 6,087,783	\$ 11,041,510	\$ 12,193,842	\$ 14,581,786	\$ 15,015,242
Business-type activities	892,033	(548,483)	(1,689,352)	1,690,793	(16,438,119)	232,606	1,734,709	914,845	838,111	2,898,379
Total primary government	\$ 8,004,114	\$ (760,099)	\$ 1,523,154	\$ 6,995,815	\$ (8,830,919)	\$ 6,320,389	\$ 12,776,219	\$ 13,108,687	\$ 15,419,897	\$ 17,913,621
Component units:										
Component unit - school board:										
Expenses:										
Instruction	\$ 37,627,755	\$ 39,703,706	\$ 44,884,486	\$ 47,853,635	\$ 48,786,613	\$ 50,362,924	\$ 47,936,225	\$ 48,759,533	\$ 52,232,547	\$ 53,138,471
Total expenses	\$ 37,627,755	\$ 39,703,706	\$ 44,884,486	\$ 47,853,635	\$ 48,786,613	\$ 50,362,924	\$ 47,936,225	\$ 48,759,533	\$ 52,232,547	\$ 53,138,471
Program revenues:										
Charges for services	\$ 406,213	\$ 421,973	\$ 445,037	\$ 490,199	\$ 500,072	\$ 532,062	\$ 605,906	\$ 635,693	\$ 682,418	\$ 735,198
Operating grants and contributions	6,156,427	6,309,784	6,795,139	7,329,947	7,115,499	7,562,576	7,785,439	8,168,160	7,922,539	8,365,807
Capital grants and contributions	-	-	-	-	-	-	-	-	2,252,557	-
Total program revenues	\$ 6,562,640	\$ 6,731,757	\$ 7,240,176	\$ 7,820,146	\$ 7,615,571	\$ 8,094,638	\$ 8,391,345	\$ 8,803,853	\$ 10,857,514	\$ 9,101,005
Net expense (1)	\$ (31,065,115)	\$ (32,971,949)	\$ (37,644,310)	\$ (40,033,489)	\$ (41,171,042)	\$ (42,268,286)	\$ (39,544,880)	\$ (39,955,680)	\$ (41,375,033)	\$ (44,037,466)
General revenues and other changes in net position:										
Component Unit-School Board:										
Grants and contributions not restricted to specific programs	\$ 29,634,913	\$ 29,514,032	\$ 32,493,659	\$ 37,291,280	\$ 37,852,745	\$ 38,700,601	\$ 35,872,072	\$ 36,603,922	\$ 38,120,686	\$ 40,367,829
Use of money and property	1,623,683	1,595,432	1,573,099	1,589,649	2,071,812	1,839,392	1,949,038	1,569,935	1,694,319	1,747,821
Miscellaneous	20,000	20,000	20,000	20,000	-	-	-	-	-	-
Total general revenues and other changes in net position	\$ 31,278,596	\$ 31,129,464	\$ 34,086,758	\$ 38,900,929	\$ 39,924,557	\$ 40,539,993	\$ 37,821,110	\$ 38,173,857	\$ 39,815,005	\$ 42,115,650
Total component unit - school board change in net position	\$ 213,481	\$ (1,842,485)	\$ (3,557,552)	\$ (1,132,560)	\$ (1,246,485)	\$ (1,728,293)	\$ (1,723,770)	\$ (1,781,823)	\$ (1,560,028)	\$ (1,921,816)
Component unit - all others aggregate										
Expenses:										
Industrial Development Authority	\$ 821,075	\$ 834,312	\$ 760,708	\$ 474,560	\$ 866,228	\$ 42,028	\$ 1,025,749	\$ 860,192	\$ 973,034	\$ 992,549
Economic Development Authority	195,187	85,840	170,861	59,406	3,487	10,593	3,892	72,134	158,978	180,738
Total expenses	\$ 1,016,262	\$ 920,152	\$ 931,569	\$ 533,966	\$ 869,715	\$ 52,621	\$ 1,029,641	\$ 932,326	\$ 1,132,012	\$ 1,173,287
General revenues and other changes in net position										
Use of money and property	\$ 1,012	\$ 332	\$ 388	\$ 174	\$ 18,504	\$ 16,201	\$ 966,099	\$ 1,196,236	\$ 1,402,036	\$ 770,546
Miscellaneous	25,617	50,100	85,986	-	-	-	-	-	-	473,985
Charges for services	925,905	1,029,659	789,008	795,560	961,636	65	-	-	-	-
Total general revenues and other changes in net position	\$ 952,534	\$ 1,080,091	\$ 875,382	\$ 795,734	\$ 980,140	\$ 16,266	\$ 966,099	\$ 1,196,236	\$ 1,402,036	\$ 1,244,531
Total component unit - all others aggregate change in net position	\$ (63,728)	\$ 159,939	\$ (56,187)	\$ 261,768	\$ 110,425	\$ (36,355)	\$ (63,542)	\$ 263,910	\$ 270,024	\$ 71,244
Total component units change in net position	\$ 149,753	\$ (1,682,546)	\$ (3,613,739)	\$ (870,792)	\$ (1,136,060)	\$ (1,764,648)	\$ (1,787,312)	\$ (1,517,913)	\$ (1,290,004)	\$ (1,850,572)
Total reporting entity change in net position	\$ 8,153,867	\$ (2,442,645)	\$ (2,090,585)	\$ 6,125,023	\$ (9,966,979)	\$ 4,555,741	\$ 10,988,907	\$ 11,590,774	\$ 14,129,893	\$ 16,063,049

Notes:
(1) Net (expense) revenue is the difference between the expenses and program revenues. This difference indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and other general revenues. Numbers in parentheses are net expenses indicating that expenses were greater than program revenues and, therefore, general revenues were needed to finance that function or program. Numbers without parentheses are net revenues, demonstrating that program revenues were more than sufficient to cover expenses.

CITY OF FAIRFAX, VIRGINIA

Program Revenues by Function/Program
 Last Ten Fiscal Years
 (accrual basis of accounting)
 (Unaudited)

Function / Program	2010	2011	2012	2013	2014
Primary government:					
Governmental activities:					
General government administration	\$ 565,818	\$ 553,825	\$ 657,828	\$ 583,606	\$ 519,069
Judicial administration	855,289	1,005,567	1,026,807	944,447	1,011,907
Public safety	3,156,009	2,978,716	3,603,710	3,610,023	3,592,461
Public works	3,094,193	4,480,497	4,797,389	4,435,093	6,089,042
Parks, recreation and cultural	976,880	1,050,705	1,094,986	991,345	1,028,692
Planning and community development	386,282	282,954	358,896	292,178	336,430
Total governmental activities	\$ 9,034,471	\$ 10,352,264	\$ 11,539,616	\$ 10,856,692	\$ 12,577,601
Business-type activities:					
Wastewater	\$ 3,532,646	\$ 4,270,816	\$ 4,709,696	\$ 5,431,654	\$ 5,037,310
Water	9,319,840	9,226,309	7,958,831	10,029,097	5,508,137
Transportation	2,519,217	3,009,846	2,192,675	2,455,436	1,523,155
Total business-type activities	\$ 15,371,703	\$ 16,506,971	\$ 14,861,202	\$ 17,916,187	\$ 12,068,602
Total government	\$ 24,406,174	\$ 26,859,235	\$ 26,400,818	\$ 28,772,879	\$ 24,646,203
Component units:					
Component unit - school board:					
Instruction	\$ 7,186,929	\$ 6,731,757	\$ 7,240,176	\$ 7,820,146	\$ 7,615,571
Component unit - all others aggregate					
Industrial Development Authority	\$ 866,044	\$ 963,797	\$ 747,255	\$ 782,732	\$ 961,636
Economic Development Authority	59,861	65,862	66,753	12,828	-
Total nonmajor component unit	925,905	1,029,659	814,008	795,560	961,636
Total reporting entity	\$ 32,519,008	\$ 34,620,651	\$ 34,455,002	\$ 37,388,585	\$ 33,223,410

Table 3

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 653,843	\$ 655,387	\$ 739,193	\$ 776,582	\$ 656,964
1,331,838	1,369,624	1,450,925	1,540,749	1,315,495
3,176,328	3,018,018	3,378,108	4,714,215	4,646,080
9,917,522	14,105,298	14,568,952	21,428,864	15,019,801
1,103,761	2,093,552	2,088,801	2,344,179	1,551,629
377,567	277,677	226,924	276,205	216,330
<u>\$ 16,560,859</u>	<u>\$ 21,519,556</u>	<u>\$ 22,452,903</u>	<u>\$ 31,080,794</u>	<u>\$ 23,406,299</u>
\$ 6,095,415	\$ 6,346,155	\$ 7,572,436	\$ 9,000,919	\$ 9,781,383
-	-	-	-	-
2,165,151	4,546,880	2,053,567	1,021,222	1,766,470
<u>\$ 8,260,566</u>	<u>\$ 10,893,035</u>	<u>\$ 9,626,003</u>	<u>\$ 10,022,141</u>	<u>\$ 11,547,853</u>
<u>\$ 24,821,425</u>	<u>\$ 32,412,591</u>	<u>\$ 32,078,906</u>	<u>\$ 41,102,935</u>	<u>\$ 34,954,152</u>
<u>\$ 8,094,638</u>	<u>\$ 8,391,345</u>	<u>\$ 8,803,853</u>	<u>\$ 10,857,514</u>	<u>\$ 9,101,005</u>
\$ 65	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>65</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 32,916,128</u>	<u>\$ 40,803,936</u>	<u>\$ 40,882,759</u>	<u>\$ 51,960,449</u>	<u>\$ 44,055,157</u>

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Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (Unaudited)

	Fiscal Year Ended June 30,				
	2010	2011	2012	2013	2014
General Fund:					
Reserved	\$ 1,254,535	\$ -	\$ -	\$ -	\$ -
Unreserved	15,569,904	-	-	-	-
Nonspendable	-	810,071	705,866	724,455	793,671
Restricted	-	66,439	4,598,270	188,048	230,671
Assigned	-	470,845	597,541	4,422,688	381,377
Unassigned	-	15,171,679	13,205,665	16,288,209	15,130,848
Total General Fund	\$ 16,824,439	\$ 16,519,034	\$ 19,107,342	\$ 21,623,400	\$ 16,536,567
All Other Governmental Funds:					
Reserved	\$ 6,682,971	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:					
Capital projects funds	10,959,407	-	-	-	-
Nonspendable	-	4,056,171	4,075,739	4,061,007	-
Restricted	-	135,766	169,362	192,927	514,198
Committed	-	590,673	2,454,002	579,763	7,534,934
Assigned	-	10,662,464	6,202,671	4,766,255	10,788,822
Unassigned*	-	-	-	(568,873)	-
Total all other government funds	\$ 17,642,378	\$ 15,445,074	\$ 12,901,774	\$ 9,031,079	\$ 18,837,954
	Fiscal Year Ended June 30,				
	2015	2016	2017	2018	2019
General Fund:					
Nonspendable	834,723	\$ 1,037,026	\$ 1,154,363	\$ 950,369	\$ 1,443,028
Restricted	623,913	557,948	618,971	12,210,339	11,815,202
Assigned	484,181	507,402	352,661	249,088	208,028
Unassigned	13,429,441	14,734,868	16,931,385	17,139,651	17,841,003
Total General Fund	\$ 15,372,258	\$ 16,837,244	\$ 19,057,380	\$ 30,549,447	\$ 31,307,261
All Other Governmental Funds:					
Nonspendable	\$ 61,611	\$ 5,065	\$ -	\$ -	\$ 408,512
Restricted	4,272,822	2,478,724	2,934,918	1,334,510	708,038
Committed	3,507,814	5,304,227	3,659,521	4,346,426	1,270,346
Assigned	9,131,829	10,280,944	9,980,238	11,657,324	15,419,282
Unassigned	-	-	-	-	-
Total all other government funds	\$ 16,974,076	\$ 18,068,960	\$ 16,574,677	\$ 17,338,260	\$ 17,806,178

Note: The City implemented GASB 54 beginning with fiscal year 2011 - see Note 1 in the Notes to the Basic Financial Statements section of the report.

* This negative unassigned fund balance is a temporary timing difference. Funds assigned to pay off debt associated with the sale of the inventory in this fund, which closed in early 2014, had been assigned in the General Fund.

CITY OF FAIRFAX, VIRGINIA

Changes In Fund Balances, Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (Unaudited)

	2010	2011	2012
Revenues:			
General property taxes	\$ 56,070,278	\$ 56,771,987	\$ 57,920,903
Other local taxes	28,091,384	28,665,267	30,248,908
Permits, privilege fees and licenses	1,484,843	1,434,252	1,843,288
Fines and forfeitures	919,492	1,041,171	1,288,332
Use of money and property	350,867	282,100	379,849
Charges for services	2,101,186	2,456,278	2,731,888
Miscellaneous	2,200,585	2,845,072	372,970
Recovered costs	3,244,991	-	-
Intergovernmental	11,024,414	11,806,319	12,023,789
Total revenues	<u>\$ 105,488,040</u>	<u>\$ 105,302,446</u>	<u>\$ 106,809,927</u>
Expenditures:			
General government administration	\$ 7,123,209	\$ 7,120,746	\$ 7,342,947
Judicial administration	1,950,422	1,728,595	1,920,697
Public safety	21,821,855	22,457,743	22,542,972
Public works	17,229,424	15,846,187	16,711,634
Health and social services	4,787,163	4,666,290	4,757,819
Parks, recreation and cultural	7,401,377	7,938,260	5,556,258
Planning and community development	3,988,566	3,322,835	2,777,070
Education	28,571,397	30,181,608	32,168,415
Debt service:			
Principal	7,003,215	7,549,852	12,125,002
Interest and fiscal charges	8,482,176	7,890,102	7,645,385
Total expenditures	<u>\$ 108,358,804</u>	<u>\$ 108,702,218</u>	<u>\$ 113,548,199</u>
Excess of revenues (under) expenditures	<u>\$ (2,870,764)</u>	<u>\$ (3,399,772)</u>	<u>\$ (6,738,272)</u>
Other financing sources (uses):			
Transfers in	\$ 5,441,825	\$ 3,570,275	\$ 4,802,436
Transfers out	(6,221,825)	(3,590,786)	(5,230,436)
Issuance of debt	-	690,807	6,819,091
Proceeds from the sale of capital assets	3,129,357	-	-
Issuance of refunding bonds	32,480,000	19,905,800	64,066,000
Payment to refunded bond escrow agent	(35,442,932)	(19,679,033)	(63,673,811)
Premium on issuance debt	3,309,767	-	-
Total other financing sources (uses)	<u>\$ 2,696,192</u>	<u>\$ 897,063</u>	<u>\$ 6,783,280</u>
Net changes in fund balance	<u>\$ (174,572)</u>	<u>\$ (2,502,709)</u>	<u>\$ 45,008</u>
Debt Service as a percentage of noncapital expenditures:			
Primary government:			
Total debt service	\$ 15,485,391	\$ 15,439,954	\$ 19,770,387
Total expenditures	\$ 108,358,804	\$ 108,702,218	\$ 113,548,199
Less: Capital outlay - primary government	11,609,406	5,712,018	4,991,167
Noncapital expenditures	<u>\$ 96,749,398</u>	<u>\$ 102,990,200</u>	<u>\$ 108,557,032</u>
Debt service as a percentage of Noncapital expenditures	<u>16.01%</u>	<u>14.99%</u>	<u>18.21%</u>
Component units: (2)			
Expenditures:			
School board	\$ 37,941,520	\$ 39,434,345	\$ 41,509,575
All others aggregate	1,018,335	935,843	935,843
Less: Capital outlay - school board	227,897	-	2,473,840
Noncapital expenditures	<u>\$ 38,731,958</u>	<u>\$ 40,370,188</u>	<u>\$ 39,971,578</u>
Total reporting entity:			
Total noncapital expenditures (3)	<u>\$ 106,925,459</u>	<u>\$ 113,118,045</u>	<u>\$ 116,444,823</u>
Debt service as a percentage of noncapital expenditures	<u>14.48%</u>	<u>13.65%</u>	<u>16.98%</u>

Notes:

(1) For fiscal years 2010 through 2018, the amounts used for capital outlay were obtained from the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities.

(2) In Virginia, the City issues debt to finance the construction of school facilities for the public schools because the public schools do not have borrowing or taxing authority. Therefore, the debt service payments related to school facilities are presented as debt service of that component unit. Debt service as a percentage of noncapital expenditures for the total reporting entity more appropriately reflects the unique Virginia school debt requirement.

Table 5

	2013	2014	2015	2016	2017	2018	2019
\$	64,350,723	\$ 66,650,305	\$ 68,513,720	\$ 72,377,725	\$ 72,039,315	\$ 76,305,278	\$ 78,208,786
	30,808,906	32,082,834	31,971,371	36,900,641	36,854,900	37,660,874	36,736,743
	1,638,948	1,612,136	1,300,349	1,584,549	1,667,130	1,905,027	1,604,403
	1,148,262	1,113,718	1,233,802	1,232,773	1,344,266	1,408,264	1,312,020
	582,790	628,143	896,735	734,272	929,833	1,179,638	1,861,660
	2,758,969	2,549,407	2,767,312	2,781,916	2,753,271	3,061,844	3,208,084
	491,046	7,088,666	2,603,713	1,238,009	353,685	1,064,935	1,443,952
	-	-	-	-	-	-	-
	11,727,058	13,720,623	17,534,748	19,332,756	23,219,455	27,715,403	22,958,723
\$	<u>113,506,702</u>	<u>\$ 125,445,832</u>	<u>\$ 126,821,750</u>	<u>\$ 136,182,641</u>	<u>\$ 139,161,855</u>	<u>\$ 150,301,263</u>	<u>\$ 147,334,371</u>
\$	7,479,585	\$ 7,858,184	\$ 11,032,996	\$ 12,772,823	\$ 10,937,883	\$ 11,367,578	\$ 11,165,964
	1,990,262	2,431,157	2,524,409	2,760,270	2,641,135	2,849,199	2,312,436
	23,422,922	25,324,764	25,729,580	24,755,406	26,534,586	30,513,312	30,553,347
	19,022,312	22,956,008	27,421,472	30,837,567	31,592,799	36,655,857	30,646,122
	5,139,751	5,243,811	5,499,532	5,755,718	6,021,992	6,385,447	6,674,964
	5,372,128	6,865,979	36,363,877	35,973,538	37,022,219	38,243,246	39,480,138
	2,702,948	2,139,855	6,996,194	6,492,492	6,616,398	6,863,935	8,408,841
	34,822,695	35,482,847	2,390,017	2,551,354	2,530,958	2,931,699	3,091,975
	8,627,619	16,884,749	7,923,005	8,006,433	8,172,242	7,878,462	7,956,523
	6,007,069	5,806,134	5,244,669	5,131,898	5,097,492	4,293,550	4,483,910
\$	<u>114,587,291</u>	<u>\$ 130,993,488</u>	<u>\$ 131,125,751</u>	<u>\$ 135,037,499</u>	<u>\$ 137,167,704</u>	<u>\$ 147,982,285</u>	<u>\$ 144,774,220</u>
\$	<u>(1,080,589)</u>	<u>\$ (5,547,656)</u>	<u>\$ (4,304,001)</u>	<u>\$ 1,145,142</u>	<u>\$ 1,994,151</u>	<u>\$ 2,318,978</u>	<u>\$ 2,560,151</u>
\$	4,834,425	\$ 12,756,654	\$ 8,482,156	\$ 10,595,449	\$ 16,000,826	\$ 13,539,971	\$ 17,425,753
	(4,949,606)	(12,747,406)	(8,792,342)	(11,370,201)	(17,564,400)	(14,964,377)	(19,721,172)
	875,000	10,258,450	1,586,000	2,189,480	-	12,309,100	961,000
	150,000	-	-	-	-	-	-
	35,685,000	-	-	-	31,658,000	-	-
	(35,826,362)	-	-	-	(31,362,724)	-	-
	619,778	-	-	-	-	-	-
\$	<u>1,388,235</u>	<u>\$ 10,267,698</u>	<u>\$ 1,275,814</u>	<u>\$ 1,414,728</u>	<u>\$ (1,268,298)</u>	<u>\$ 10,884,694</u>	<u>\$ (1,334,419)</u>
\$	<u>307,646</u>	<u>\$ 4,720,042</u>	<u>\$ (3,028,187)</u>	<u>\$ 2,559,870</u>	<u>\$ 725,853</u>	<u>\$ 13,203,672</u>	<u>\$ 1,225,732</u>
\$	<u>14,634,688</u>	<u>\$ 22,690,883</u>	<u>\$ 13,167,674</u>	<u>\$ 13,138,331</u>	<u>\$ 13,269,734</u>	<u>\$ 12,172,012</u>	<u>\$ 12,440,433</u>
\$	<u>114,587,291</u>	<u>\$ 130,993,488</u>	<u>\$ 131,125,751</u>	<u>\$ 135,037,499</u>	<u>\$ 137,167,704</u>	<u>\$ 147,982,285</u>	<u>\$ 144,774,220</u>
	<u>7,549,604</u>	<u>7,796,757</u>	<u>11,475,931</u>	<u>14,936,926</u>	<u>16,787,756</u>	<u>17,927,713</u>	<u>20,473,697</u>
\$	<u>107,037,687</u>	<u>\$ 123,196,731</u>	<u>\$ 119,649,820</u>	<u>\$ 120,100,573</u>	<u>\$ 120,379,948</u>	<u>\$ 130,054,572</u>	<u>\$ 124,300,523</u>
	<u>13.67%</u>	<u>18.42%</u>	<u>11.01%</u>	<u>10.94%</u>	<u>11.02%</u>	<u>9.36%</u>	<u>10.01%</u>
\$	44,122,119	\$ 44,900,191	\$ 46,358,234	\$ 46,212,455	\$ 46,997,710	\$ 49,120,225	\$ 49,916,417
	528,269	1,528,441	52,621	1,029,641	932,326	1,132,012	1,173,287
	-	-	-	3,726,550	3,865,264	35,589	-
\$	<u>44,650,388</u>	<u>\$ 46,428,632</u>	<u>\$ 46,410,855</u>	<u>\$ 43,515,546</u>	<u>\$ 44,064,772</u>	<u>\$ 50,216,648</u>	<u>\$ 51,089,704</u>
\$	<u>116,995,751</u>	<u>\$ 134,428,790</u>	<u>\$ 129,696,798</u>	<u>\$ 127,642,581</u>	<u>\$ 127,422,501</u>	<u>\$ 142,027,974</u>	<u>\$ 136,322,636</u>
	<u>12.51%</u>	<u>16.88%</u>	<u>10.15%</u>	<u>10.29%</u>	<u>10.41%</u>	<u>8.57%</u>	<u>9.13%</u>

(3) For the reporting entity totals, the expenditures have been reduced by the amounts given to the public schools and the other component units so that the expenditures are not counted twice.

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Tax Revenues by Source, Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)
 (Unaudited)

Fiscal Year June 30,	Property	Local Sales	Business License	Consumer Utility	Meals	Tobacco	Other	Totals
2010	\$ 56,070,278	\$ 10,644,038	\$ 7,485,809	\$ 1,547,114	\$ 4,654,171	\$ 829,555	\$ 2,930,697	\$ 84,161,662
2011	56,771,987	9,907,063	8,151,072	1,551,010	4,938,869	1,028,992	3,088,261	85,437,254
2012	57,920,903	10,200,696	8,554,669	1,727,091	5,252,922	918,341	3,595,190	88,169,812
2013	64,350,723	10,263,955	8,932,634	1,704,649	5,553,975	975,457	3,378,236	95,159,629
2014	66,650,305	11,580,673	8,709,712	1,653,003	5,703,399	924,350	3,511,697	98,733,139
2015	68,513,720	11,181,816	8,740,824	1,710,251	5,771,329	862,776	3,704,375	100,485,091
2016	73,277,725	11,283,271	8,838,556	1,660,434	5,918,534	853,890	3,795,712	105,628,122
2017	75,138,320	11,276,435	8,698,368	1,524,189	5,972,064	807,025	6,431,612	109,848,013
2018	76,305,278	11,721,703	8,745,395	1,607,476	5,967,535	718,296	4,423,666	109,489,349
2019	78,208,786	11,836,812	9,344,777	1,577,007	6,374,777	600,325	7,003,045	114,945,529
Change 2010-2019	39.48%	11.21%	24.83%	1.93%	36.97%	-27.63%	138.95%	36.58%

CITY OF FAIRFAX, VIRGINIA

Assessed and Estimated Actual Value of Taxable Property
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year June 30,	Residential Property	Direct Tax Rate	Commercial Property	Direct Tax Rate	Public Service Corporation	Nontaxable
2010	\$ 3,013,912,200	\$ 0.955	\$ 1,968,035,100	\$ 0.955	\$ 93,846,777	\$ 389,153,800
2011	3,123,099,700	0.942	1,954,294,800	0.942	97,144,428	394,555,500
2012	3,195,889,977	1.010	2,025,966,286	1.010	92,221,418	488,638,000
2013	3,266,638,900	1.060	2,073,994,400	1.060	90,856,256	494,790,700
2014	3,463,135,200	1.040	2,085,815,600	1.040	88,183,403	499,269,600
2015	3,624,478,000	1.052	2,068,542,000	1.052	92,174,117	496,129,000
2016	3,738,914,500	1.062	2,113,115,000	1.062	96,221,309	501,853,000
2017	3,822,160,300	1.060	2,119,723,700	1.060	97,739,044	529,977,400
2018	3,967,151,300	1.060	2,127,875,000	1.060	97,739,044	529,185,500
2019	4,044,043,800	1.075	2,195,140,900	1.075	97,302,622	595,269,200

Source: Real Estate Assessor's Office

- Notes:
- 1) Real Estate assessments are done on a calendar year basis. Values are reflective of published 2019 Land Book.
 - 2) Commercial property values include commercial, industrial and apartments
 - 3) "Nontaxable" is interpreted to mean tax exempt properties.
 - 4) Total Assessed Value category includes real estate, public service corporations and exempt properties.
 - 5) Total taxable assessed value includes real estate and public service corporation properties.

Table 7

	<u>Total Assessed Value</u>	<u>Total Taxable Assessed Value</u>	<u>Percent Growth</u>	<u>Total Direct Tax Rate</u>	<u>Actual Taxable Value</u>	<u>Value as a Percentage of Actual Value</u>
\$	5,464,947,879	\$ 5,075,794,077	-6.9%	\$ 0.955	\$ 5,075,794,077	\$ 100%
	5,569,094,430	5,174,538,928	1.9%	0.942	5,174,538,928	100%
	5,802,715,683	5,314,077,681	2.7%	1.010	5,314,077,681	100%
	5,926,280,258	5,431,489,556	2.2%	1.060	5,431,489,556	100%
	6,136,403,805	5,637,134,203	3.8%	1.040	5,637,134,203	100%
	6,281,323,117	5,785,194,117	2.6%	1.052	5,785,194,117	100%
	6,450,103,809	5,948,250,809	2.8%	1.062	5,948,250,809	100%
	6,569,600,444	6,039,623,044	1.5%	1.060	6,039,623,044	100%
	6,721,950,844	6,192,765,344	2.5%	1.060	6,192,765,344	100%
	6,931,756,522	6,336,487,322	2.3%	1.075	6,336,487,322	100%

Direct and Overlapping Property Tax Rates
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year June 30,	Real Estate	Personal Property
2010	\$ 0.955	\$ 4.13
2011	0.942	4.13
2012	1.010	4.13
2013	1.060	4.13
2014	1.040	4.13
2015	1.052	4.13
2016	1.062	4.13
2017	1.060	4.13
2018	1.060	4.13
2019	1.075	4.13

Note:

(1) The City of Fairfax has no overlapping tax rates (Cities in the Commonwealth of Virginia are not part of Counties, and Cities have no political subdivisions).

Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	2019			2010		
	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage (%) of Total City Taxable Assessed Value
Combined Properties (1)	\$ 119,939,400	1	1.94%	-	-	-
Van Metre (2)	118,113,100	2	1.91%	80,000,000	2	1.61%
Fair City HHH	111,131,600	3	1.79%	67,941,200	4	1.36%
Crow Holdings (3)	97,222,600	4	1.57%	-	-	-
Army Navy Country Club	68,123,900	5	1.10%	70,576,900	3	1.42%
Willowwood, LLC & Willowwood Land, LLC	45,937,600	6	0.74%	-	-	-
Rosenthal (4)	39,800,100	7	0.64%	-	-	-
Saul Holdings (Shops at Fairfax, LLC)	39,575,700	8	0.64%	33,262,400	6	0.67%
Regency Centers (5)	39,197,100	9	0.63%	26,043,000	9	0.52%
Avalon at Providence Park, LLC	36,671,000	10	0.59%	26,600,000	8	0.53%
RKB/RPB Willowwood LLC (I, II)	-	-	-	107,733,400	1	2.16%
Main Street Retail Partners, LLC	-	-	-	27,719,200	7	0.56%
CH Realty III/Old Town Village	-	-	-	34,301,800	5	0.69%
Gloria Haft	-	-	-	29,951,500	10	0.52%
Total	\$ 715,712,100		11.56%	\$ 504,129,400		10.04%

Source:

Real Estate Assessments

*Taxable Assessed Values are based on 2019 Land Book

- (1) Combined Properties include: (Courthouse, Fairfax Circle, LLC & Turnpike LLC)
- (2) Van Metre properties include: (Fairfax Square Apts., Belleau Wood & VM Mid-Rise)
- (3) Crow Holdings properties include: (CH Realty III/VI & Main Street Retail Partners, L.L.C.)
- (4) Rosenthal properties include: (Fairfax Circle Investors I/II & Pickett Road Investors LLC)
- (5) Regency Centers properties include: (USRP I & Fairfax Regency LLC)

Real Property Tax Levies And Collections
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2010	\$ 49,560,633	\$ 48,593,292	98.05%	\$ 967,341	\$ 49,560,633	100.00%
2011	49,769,304	48,879,797	98.21%	889,507	49,769,304	100.00%
2012	52,346,460	51,474,451	98.33%	872,009	52,346,460	100.00%
2013	56,984,359	56,079,986	98.41%	904,373	56,984,359	100.00%
2014	59,363,005	58,015,432	97.73%	1,347,573	59,363,005	100.00%
2015	60,183,528	58,867,230	97.81%	1,316,298	60,183,528	100.00%
2016	62,690,196	61,955,837	98.83%	730,300	62,686,137	99.99%
2017	64,546,058	63,867,036	98.95%	668,653	64,535,689	99.98%
2018	66,148,234	65,294,566	98.71%	817,091	66,111,657	99.94%
2019	68,324,114	67,250,029	98.43%	771,248	68,021,277	99.56%

Source:

City of Fairfax Treasurer's Office.

Ratios of Outstanding Debt by Type and General Bonded Debt Outstanding
Last Ten Fiscal Years
(Unaudited)

Fiscal Year June 30,	Governmental Activities				Business-Type Activities			Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Lease Revenue Bonds	Notes Payable	Public Improvement COPS	Capital Leases	Revenue Bonds	Notes Payable			
2010	\$ 110,937,409	\$ 39,679,224	\$ 26,489,109	-	\$ 298,625	\$ 4,652,000	\$ -	\$ 182,056,367	13.22%	\$ 7,819
2011	106,592,263	38,733,855	4,540,125	19,905,800	877,905	29,246,050	-	199,895,998	13.70%	8,447
2012	104,828,512	38,609,131	8,433,465	17,572,800	1,279,103	29,039,016	-	199,762,027	12.82%	8,104
2013	104,170,295	37,287,030	8,316,733	15,095,100	1,608,324	28,823,980	-	195,301,462	12.08%	7,743
2014	100,033,400	36,114,928	7,250,000	12,573,100	3,956,280	24,701,945	19,635,079	204,264,732	12.06%	7,976
2015	94,565,323	34,912,827	7,250,000	10,925,800	4,818,092	24,193,910	-	176,665,952	9.94%	7,447
2016	89,550,655	33,660,725	6,750,000	10,134,800	5,793,139	23,660,875	-	169,550,194	9.21%	7,024
2017	84,625,958	41,910,623	6,240,000	-	4,871,973	23,102,840	-	160,751,394	8.48%	6,653
2018	79,371,261	40,364,523	5,720,000	11,361,000	4,718,611	22,514,805	-	164,050,200	8.26%	6,676
2019	75,384,778	37,782,421	5,185,000	11,185,000	4,521,088	22,619,060	-	156,677,347	7.62%	6,307

General bonded debt outstanding:

Fiscal Year June 30,	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Debt Per Capita
2010	\$ 106,825,000	2.86%	5,727
2011	102,605,000	1.98%	4,473
2012	101,361,000	1.91%	4,320
2013	100,382,000	1.85%	4,187
2014	95,983,000	1.70%	3,934
2015	94,565,323	1.58%	3,795
2016	89,550,655	1.51%	3,683
2017	83,084,834	1.38%	3,439
2018	77,902,596	1.26%	3,170
2019	75,384,778	1.19%	3,035

Notes:

- (1) Details regarding the City's outstanding debt may be found in the notes to the basic financial statements.
- (2) Population and personal income data can be found in table 14
- (3) See table 7 for property value data
- (4) The Lease Revenue Bonds under the Governmental Activities will be repaid with general government resources
- (5) Premiums have been incorporated for the General Obligation, Lease Revenue and Business-type Activities Revenue Bonds.

CITY OF FAIRFAX, VIRGINIA

Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit	\$ 507,579,408	\$ 517,453,893	\$ 531,407,768	\$ 563,713,420
Total net debt applicable to limit	<u>171,782,734</u>	<u>165,213,830</u>	<u>161,751,368</u>	<u>157,447,147</u>
Legal debt margin	<u>\$ 335,796,674</u>	<u>\$ 352,240,063</u>	<u>\$ 369,656,400</u>	<u>\$ 406,266,273</u>
Total net debt applicable to the limit as a percentage of debt limit	33.84%	31.93%	30.44%	27.93%

Legal debt margin calculation for fiscal year 2019

Summary of outstanding debt:

Assessed value of real estate	<u>\$ 6,336,487,322</u>	Public Improvement COPS
Debt limit (10% of assessed value)	\$ 633,648,732	General Obligation Bonds
Debt applicable to limit:		Lease Revenue Bonds
Net direct debt outstanding	<u>134,058,287</u>	Notes payable
		Capital leases
Legal debt margin	<u>\$ 499,590,445</u>	

Notes:

- (1) Net direct debt excludes debt service on bond issues supported by revenues of the water and sewer systems. Revenues of the water and sewer system have been sufficient to cover debt service on such bonds.
- (2) Under the City Charter and Constitution of Virginia, the City may not issue bonds in excess of 10% of assessed valuation. Self-supporting debt is not included in this calculation.

Table 12

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$	563,713,420	\$ 578,519,412	\$ 594,825,081	\$ 603,962,304	\$ 619,276,534	\$ 633,648,732
	<u>159,927,708</u>	<u>152,472,042</u>	<u>145,889,319</u>	<u>137,648,554</u>	<u>141,535,395</u>	<u>134,058,287</u>
\$	<u><u>403,785,712</u></u>	<u><u>426,047,370</u></u>	<u><u>448,935,762</u></u>	<u><u>466,313,750</u></u>	<u><u>477,741,139</u></u>	<u><u>499,590,445</u></u>
	28.37%	26.36%	24.53%	22.79%	22.85%	21.16%
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$	12,573,100	\$ 10,925,800	\$ 10,134,800	-	\$ 11,361,000	\$ 11,185,000
	100,033,400	94,565,323	89,550,655	84,625,958	79,371,261	75,384,778
	36,114,928	34,912,827	33,660,725	41,910,623	40,364,523	37,782,421
	7,250,000	7,250,000	6,750,000	6,240,000	5,720,000	5,185,000
	<u>3,956,280</u>	<u>4,818,092</u>	<u>5,793,139</u>	<u>4,871,973</u>	<u>4,718,611</u>	<u>4,521,088</u>
\$	<u><u>159,927,708</u></u>	<u><u>152,472,042</u></u>	<u><u>145,889,319</u></u>	<u><u>137,648,554</u></u>	<u><u>141,535,395</u></u>	<u><u>134,058,287</u></u>

CITY OF FAIRFAX, VIRGINIA

Pledged-Revenue Coverage
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year June 30,	Water Revenue Bonds						Coverage
	Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2010	\$ 9,315,674	\$ 7,268,863	\$ 2,046,811	\$ 169,000	\$ 213,246	5.35	
2011	8,676,006	8,116,546	559,460	177,000	477,471	0.85	
2012	7,740,780	7,365,331	375,449	184,000	525,875	0.53	
2013	9,845,211	7,305,156	2,540,055	192,000	657,782	2.99	
2014	N/A	N/A	N/A	N/A	N/A	N/A	
2015	N/A	N/A	N/A	N/A	N/A	N/A	
2016	N/A	N/A	N/A	N/A	N/A	N/A	
2017	N/A	N/A	N/A	N/A	N/A	N/A	
2018	N/A	N/A	N/A	N/A	N/A	N/A	
2019	N/A	N/A	N/A	N/A	N/A	N/A	

Notes:

- (1) Total utility service charges include interest and transfers in from other funds, but do not include developer contributions.
- (2) Total operating expenses are exclusive of depreciation, amortization, interest expense and losses on disposition of assets.
- (3) The 2008 Water revenue bond was paid off in FY14 after the sale of the water utility, and the 2010 VRA bond was transferred to the Wastewater Fund (approved by VRA). Prior to the sale, some of the debt service for these two bonds was paid from the water fund, but 100% of the VRA bond debt service is presented in the Wastewater Fund here.

Table 13

Wastewater Revenue Bonds						
Utility Service Charges	Operating Expenses	Net Available Revenue	Debt Service		Coverage	
			Principal	Interest		
\$ 3,543,296	\$ 3,362,005	\$ 181,291	\$ -	\$ -	N/A	
4,284,829	3,536,310	748,519	-	316,771	2.36	
4,637,225	3,547,837	1,089,388	-	512,708	2.12	
5,351,015	2,982,422	2,368,593	-	512,708	4.62	
5,028,442	3,394,380	1,634,062	-	1,389,374	1.18	
5,709,968	3,590,163	2,119,805	-	1,374,096	1.54	
6,542,169	4,572,541	1,969,628	510,000	1,327,204	1.07	
7,666,334	4,784,304	2,882,030	535,000	1,302,896	1.57	
9,193,133	4,394,388	4,798,745	656,000	1,282,189	2.48	
9,584,516	4,173,762	5,410,754	595,000	1,275,064	2.89	

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Demographic and Economic Statistics
 Last Ten Fiscal Years
 (Unaudited)

Fiscal Year June 30,	Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
	(1)	(2)	(2)	(3)	(4)
2010	22,565	\$ 1,490,534,000	\$ 59,200	2,905	5.40%
2011	22,463	1,573,675,000	62,900	2,976	4.90%
2012	22,898	1,655,170,000	64,600	3,081	4.30%
2013	23,236	1,622,965,000	61,300	3,107	4.20%
2014	23,315	1,705,943,000	64,100	3,078	4.10%
2015	23,439	1,778,726,000	67,700	3,125	3.50%
2016	23,835	1,818,817,000	66,500	3,081	3.10%
2017	24,162	1,896,253,000	68,900	3,079	2.90%
2018	24,574	1,985,274,000 *	71,200 *	3,080 *	2.30%
2019	24,842 *	2,057,386,000 *	72,600 *	3,076 *	2.10%

Notes:

*Estimated by City of Fairfax

(1) Population updated from 2010 US Census Bureau results and annual population estimates. 2019 population estimated by City staff.

(2) Personal income is published annually (with a 2-year delay) by the BEA. The most recent available figures are for 2017 (released in November 2018).

(2) To estimate personal income for 2018 and 2019, an estimated annual change in personal income was projected based on the average of the previous five years' increases.

(2) The BEA agglomerates the City of Fairfax with Fairfax County and the City of Falls Church in its reporting of personal income. To separate City data, each year's Census-reported proportion of City population within these three jurisdictions was applied to the total personal income figure. Further, the proportion of City Per Capita Personal Income to its County equivalent, as reported in the American Community Survey, was applied to give a more accurate estimate of City PCPI.

(3) Average Daily Membership "ADM" as reported in City of Fairfax annual budget.

(4) US Bureau of Labor Statistics, Local Area Unemployment Statistics.

(4) Unemployment rates are annual averages. 2019 unemployment rate estimated by averaging all available months (Jan-Jul) of 2019 data.

Principal Private Sector Employers
 Current Year and Nine Years Ago
 (Unaudited)

Employer (1)	2019			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City of Fairfax	400-425	1	2.11%	360	2	1.23%
Zeta Associates	275-300	2	1.47%	-	-	-
Fairfax Nursing	250-275	3	1.37%	250	5	0.85%
Ted Britt Ford	250-275	4	1.37%	250	6	0.85%
Sunrise	225-250	5	1.22%	-	-	-
Home Depot	150-175	6	0.83%	-	-	-
Fairfax Honda/VW	125-150	7	0.70%	200	8	0.68%
Van Metre Mgmt	125-150	8	0.70%	-	-	-
Best Buy	125-150	9	0.70%	-	-	-
Lowes	125-150	10	0.70%	-	-	-
Total:	<u>2,190</u>		<u>11.21%</u>	<u>1,060</u>		<u>3.61%</u>

Sources:

City of Fairfax Commissioner of the Revenue's Office.

Full-Time Equivalent City Government Employees By Function/Program
 Last Ten Fiscal Years
 (Unaudited)

Function/program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
City Clerk	2.00	2.00	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Electoral Board	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
City Manager	2.50	2.13	2.63	2.63	3.00	3.00	3.00	3.00	2.50	2.50
Personnel	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Community Relations	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	2.00
Marketing	0.00	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.00
Cable TV	1.50	1.50	1.50	1.50	1.75	1.75	1.75	1.75	1.75	2.00
Information Technology	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Printing & Office Supplies	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Motor Pool	13.00	13.00	13.00	13.00	12.00	12.00	12.00	12.00	12.00	12.75
Finance & Accounting	7.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50	8.50	8.50
Real Estate Assessment	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00
Treasurer	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	8.75	8.75
Commissioner of Revenue	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
Police Department	90.00	91.13	90.00	90.00	90.25	90.25	89.25	89.00	89.00	89.00
Fire Department	79.00	80.00	79.00	79.00	80.00	80.00	80.00	80.00	80.00	80.00
Public Works	76.10	77.50	75.50	75.50	77.20	76.10	76.10	76.95	78.95	78.95
Social Services	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	1.00
Parks & Recreation	17.13	19.88	19.13	19.13	19.88	19.38	20.38	20.63	20.38	20.88
Historic Resources	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Planning & Design	15.70	15.70	15.70	15.70	16.50	17.50	17.50	17.50	16.50	17.00
Economic Development	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.50	2.50
Education	1.90	2.85	1.90	1.90	1.90	1.85	1.85	1.85	1.85	1.85
Wastewater	8.00	6.00	8.60	8.60	9.10	9.20	9.20	8.35	8.35	8.35
Water	32.00	32.00	34.40	34.40	0.00	0.00	0.00	0.00	0.00	0.00
Stormwater	0.00	0.00	0.00	0.00	0.70	0.70	0.70	0.70	0.70	0.70
Transit	30.38	31.50	30.50	30.50	30.50	33.25	33.25	33.25	33.25	33.25
Total	<u>420.53</u>	<u>427.01</u>	<u>425.18</u>	<u>425.18</u>	<u>397.10</u>	<u>399.30</u>	<u>399.30</u>	<u>399.30</u>	<u>402.05</u>	<u>405.93</u>

Source:
 City Budget Office.

CITY OF FAIRFAX, VIRGINIA

Operating Indicators By Function/Program
Last Ten Fiscal Years
(Unaudited)

	2010	2011	2012	2013	2014
GENERAL GOVERNMENT:					
Public Works					
Homes Served - Refuse Collection	6,249	6,249	6,338	6,498	6,498
Elections					
Registered Voters	14,937	15,027	14,835	15,794	15,372
# of Votes cast last General Election	6,197	7,112	4,638	11,706	7,120
% of Registered Voters last General Election	41.49%	47.33%	31.26%	74.12%	46.32%
Parks and Recreation					
Old Town Hall Rentals	153	231	164	165	153
Total Unique Recreation Programs	98	71	80	223	252
Total Recreation Programs	512	513	686	422	428
Day Camp program participants	819	927	801	707	727
Community Development and Planning					
Neighborhood Renaissance Conferences	600	600	600	600	*
Board of Architectural Review (BAR) Applications	48	86	80	80	62
Enforcement Citations	450	550	550	550	458
Land Use Applications	38	31	44	33	30
Development Plans & Subdivisions	37	47	49	49	59
Economic Development					
Vacancy Rate - Office Space**	11.50%	10.70%	10.90%	12.60%	13.90%
Vacancy Rate - Retail Space**	5.30%	4.70%	3.90%	3.60%	3.20%
SCHOOLS:					
Education					
Average Daily Membership	2,905	2,976	3,081	3,039	3,078
Elementary - Kindergarten	221	239	210	216	240
Elementary - (1-6)	1,319	1,259	1,386	1,346	1,351
Secondary - (7-12)	1,398	1,478	1,485	1,477	1,487
Tuition Cost Per Student	\$ 12,027	\$ 12,745	\$ 13,110	\$ 14,268	\$ 13,632
PUBLIC SAFETY:					
Police Department					
Cases Assigned	240	169	198	204	234
Cases Closed	171	130	172	178	175
Calls for Service	13,764	13,896	13,947	14,000	14,186
Criminal Arrests	1,243	1,272	1,373	1,359	1,326
Fire Department					
Staff Training Hours	16,568	16,879	15,536	13,790	12,022
Responses to Fire Incidents	2,585	2,846	4,015	2,899	2,273
Responses to EMS Incidents	6,409	6,569	5,766	7,709	4,330
Plans reviewed	972	1,333	1,401	1,353	1,003
Building Permits Issued	494	605	647	621	578
Cost Associated with Building Permits	\$ 38,388,562	\$ 27,634,266	\$ 39,254,118	\$ 34,633,451	\$ 30,308,610
TRANSIT:					
Total Ridership	941,694	910,549	908,367	850,809	832,481

Notes:

Source: City Annual Operating Budget & Comprehensive Annual Financial Report

* - information not available (not tracked)

** - source: CoStar, October 2019. 6/30 represents end of 2nd Quarter for each year. 2009-18 data archived.

Notes:

The City outsourced Wastewater billing to Fairfax County Water Authority in conjunction with the sale of the water utility in FY 14. Operating indicators were not readily available from Fairfax Water.

Table 17

	2015	2016	2017	2018	2019
	6,498	6,498	6,473	6,512	6,530
	15,496	14,887	15,995	15,841	16,364
	7,052	4,743	12,077	8,318	10,548
	45.51%	31.86%	75.50%	52.51%	64.40%
	160	165	165	151	155
	238	242	248	255	262
	458	475	490	495	503
	938	956	1,040	1,148	1,184
	*	*	*	*	*
	81	57	67	60	80
	450	450	450	450	*
	41	24	19	15	18
	56	40	42	46	32
	15.00%	13.50%	12.90%	12.50%	11.50%
	3.60%	3.00%	4.30%	4.90%	5.30%
	3,160	3,125	3,081	3,079	3,004
	208	245	225	246	210
	1,415	1,361	1,357	1,368	1,289
	1,537	1,519	1,499	1,523	1,505
\$	13,782 \$	13,872 \$	14,438 \$	14,825 \$	15,700
	220	225	245	220	204
	165	155	118	145	147
	15,027	14,981	13,721	13,202	13,622
	1,192	1,092	986	873	952
	8,566	16,775	14,010	18,741	13,354
	2,320	2,200	2,312	2,540	2,735
	4,311	4,317	4,187	4,445	4,177
	884	1,023	1,194	1,138	951
	503	564	779	356	359
\$	27,034,602 \$	33,430,366 \$	121,674,456 \$	157,500,340 \$	50,481,255
	766,708	678,967	646,096	605,962	606,000

Capital Asset Statistics By Function/Program
 Last Ten Fiscal Years
 (Unaudited)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GENERAL GOVERNMENT										
Parks and Recreation										
Acres of Parks	279	279	279	279	283.47	286	286	286	286	286
Number of Major Parks	9	9	9	9	9	10	10	11	11	11
Number of Neighborhood Parks	14	14	15	15	15	15	15	15	15	15
Public Works										
Vehicle Availability (%)	97%	97%	98%	98%	90%	88%	90%	95%	97%	98%
Vehicle Repair Orders	3,600	3,600	3,766	3,766	2,872	3,112	3,670	3,650	3,966	3,950
Total Fleet	590	590	664	664	653	661	692	642	648	650
Miles of Streets - Primary	15.58	15.58	16.5	15.5	15.5	15.5	15.5	15.44	15.44	16
Miles of Streets - Secondary	55.33	55.33	54	56.5	56.5	56.5	56.5	56.12	56.27	57
Number of Street Lights	2,967	2,967	2,967	2,967	2,967	2,967	2,967	2,967	2,967	2,980
PUBLIC SAFETY										
Police										
Number of Stations*	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations**	1	1	1	1	1	1	1	1	1	1
Number of Fire Hydrants***	870	870	870	870	N/A	N/A	N/A	N/A	N/A	N/A
UTILITIES:										
Sewer										
Sanitary Sewers (miles)	97.14	97.14	100.00	100.00	100.00	100.00	100.00	108.20	108.00	108.00
TRANSIT:										
Number of Buses	12	12	12	12	12	12	12	12	12	12

Notes:

Source: City Annual Operating Budget & Comprehensive Annual Financial Report

* - Police now has the firing range which is a separate building for fire arms training.

** - The Fire Department operates from two fire stations, one of which is owned by the volunteer organization.

*** - Ownership of the hydrants was transferred to Fairfax Water in 2014 with other assets of the City's water utility.



**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Honorable Members of
the City Council
City of Fairfax, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fairfax, Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Fairfax, Virginia's basic financial statements, and have issued our report thereon dated November 20, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Fairfax, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Fairfax, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfax, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Fairfax, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates
Fredericksburg, Virginia
November 20, 2019



**Independent Auditors' Report on Compliance for Each Major Program and on
Internal Control over Compliance Required by the Uniform Guidance**

To the Honorable Members of
the City Council
City of Fairfax, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Fairfax, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Fairfax, Virginia's major federal programs for the year ended June 30, 2019. City of Fairfax, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Fairfax, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Fairfax, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Fairfax, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Fairfax, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the City of Fairfax, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Fairfax, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Fairfax, Virginia's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Fredericksburg, Virginia
November 20, 2019

CITY OF FAIRFAX, VIRGINIA

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2019

Federal Grantor/Pass - Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>DEPARTMENT OF JUSTICE:</u>			
<u>Direct payments:</u>			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 4,052
Total Department of Justice			\$ 4,052
<u>DEPARTMENT OF TRANSPORTATION:</u>			
<u>Pass through payments:</u>			
Virginia Department of Motor Vehicles:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	100423/100462/104354 109299/109309/112816	\$ 536,666
Highway Safety Cluster:			
National Priority Safety Programs	20.616	M60T1858310/ M60T1959326	7,402
State and Community Highway Safety	20.600	FSC1858315/FSC1959355	8,123
Total Highway Safety Cluster			\$ 15,525
Total Department of Transportation			\$ 552,191
<u>DEPARTMENT OF TREASURY:</u>			
<u>Direct payments:</u>			
Equitable Sharing	21.016	N/A	\$ 591,000
Total Department of Treasury			\$ 591,000
<u>DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Direct payments:</u>			
Homeland Security Grant Program	97.067	N/A	\$ 161,686
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	114,081
Assistance to Firefighters Grant	97.044	N/A	131,740
<u>Pass through payments:</u>			
Department of Emergency Services:			
Emergency Management Performance Grants	97.042	114363	7,500
Total Department of Homeland Security			\$ 415,007
Total expenditures of federal awards			\$ 1,562,250

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2019

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Fairfax, Virginia under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Fairfax, Virginia, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Fairfax, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The City did not elect to use the 10% de minimus indirect cost rate.

(4) The City did not pass any federal awards through to sub-recipients during the year ended June 30, 2019.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:	
Primary government:	
Governmental Funds	\$ 1,562,250
Enterprise Funds	<u>377,580</u>
Total primary government	\$ <u>1,939,830</u>
Less:	
Interest subsidy	\$ <u>(377,580)</u>
Total federal expenditures per the Schedule of Expenditures of Federal Awards	\$ <u><u>1,562,250</u></u>

CITY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

There are no financial statement findings to report.

Section III - Federal Award Findings and Questioned Costs

There are no federal award findings and questioned costs to report.

CITY OF FAIRFAX, VIRGINIA

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2019

2018-001: Material Weakness - Internal Control over Financial Reporting

Status: This finding is not reported in 2019.

2018-002: Material Weakness (Compliance) - Conflict of Interest

Status: This finding is not reported in 2019.